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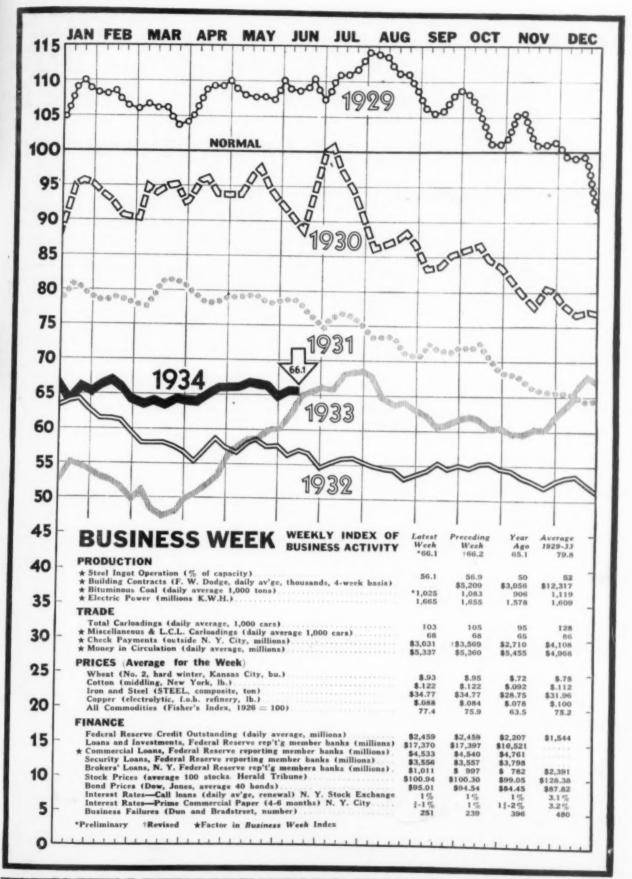
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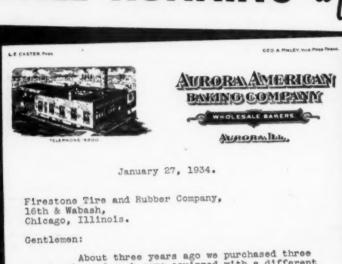
GERMANY'S MONEY DOCTOR—President Schacht of the Beichsbank takes drastic steps to preserve the mark.





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STILL RUNNING after others fail



About three years ago we purchased three new trucks and each came equipped with a different brand of tires, one however having Firestone tires

At the end of 14,000 miles of service one of the sets of tires were worn out and at 18,000 miles another set wore out, but on our check up at 22,000 the Firestones were still serviceable.

We have standardized on Firestone tires due to the exceptional service they have given us and have all of our equipment on Firestones at present.

Yours very truly,

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on it.

AURORA AMERICAN BAKING COMPANY Manager.

NLY Firestone Tires are safety protected ON THE INSIDE with Gum-Dipped High Stretch Cords. Every fiber and cord is safety locked with rubber, giving greater strength, longer life and greater protection against blowouts.

They are safety protected ON THE OUTSIDE with deep cut, scientifically designed tread that grips and holds the road and gives long wear.

The Firestone Service Dealer or Service Store in your community will inspect your tires, test your battery, spark plugs and brakes without charge. See him today and start reducing your operating expenses.

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FIRESTONE TIRES WILL REDUCE YOUR OPERATING COSTS

Copyright, 1934, The Firestone Tire & Rubber Co.

The Business Outlook

BUSINESS is breathing a bit easier now that Congress has finished a record session and the steel strike has been at least temporarily shelved. But the air is full of misgivings about summer trade, especially July and August, the usual dull months. A cautious spirit pervades buyers in every line from steel to clothing.

Abandonment of price-fixing policies has focused attention on one of the most contentious problems arising under the codes. Already manufactured products show signs of cracking, though raw

material prices have climbed to new heights. Motor producers claim their recent price cuts are stimulating desired buying again. Even Ford has joined the ranks of those catering to the none-toolarge public pocketbook, and incidentally making competition keener.

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Steel Near Peak

Steel production, though slightly lower than last week, is still close to the peak of the year, for secondquarter orders must be completed by the end of June. Soft coal production rose above the holiday week output to the 6 million tons level again, though tonnage is not quite up to the pre-holiday level. Electric power production is rising toward some of the best weeks of the year, but cutting down the spread from last year each week. Chances are that in the next 2 months, the margin will disappear entirely.

Carloadings Rise

Carloadings, too, are recovering from the holiday setback and bid fair to establish new highs in June. There are those who say that Mr. Eastman's persistent pleas for greater efficiency are resulting in better packing of freight cars, and hence cutting down the number in use. At any rate, profitable operations are possible when loadings stay above the 600,000 cars a week level.

Building Men Hopeful

The construction industry is hoping to have its inning in the last half of 1934. Certainly Congress has been liberal in providing funds for stimulating this laggard industrial division. With road funds, relief funds, and government backing of housing loans for modernization and construction, there is a fair prospect that new life may be stirred up in the building field upon which so many of the capital goods industries depend. In recent weeks the lumber industry has been under the depressing effects of customary seasonal factors and prolonged labor troubles on the Pacific coast. On the other hand, cement production is steadily increasing as the summer months approach. May output was 37% above a year ago; shipments 30% higher.

Labor Still Restless

Into Secretary Perkins' hands the steel dispute has fallen since the President is anxious to leave Washington and to avoid responsibility such as the motor controversy thrust upon him earlier this year. Superficially there is an air of optimism that the break was avoided on June 16, but underneath is the ominous determination of the industry to yield to nothing that might in any way jeopardize the position of company unions and the equal determination of the Amalgamated to secure federally supervised elections and majority representation. If these matters, difficult to reconcile in the present mood of the opposing parties, are forced into the courts for final action, the uncertainty that has been hovering over the steel industry will

Little Forward Buying

Meanwhile, production continues at a good pace, fully 56% of capacity, and shipments are due to expand until July 1. U. S. Steel's May shipment of 745,063 tons is 16% better than April's, and the highest since May, 1931. The first week of July is likely to see a sharp slump in operations, partly due to the July 4 holiday which falls in the middle of the week. For the summer months, the industry will have to lean heavily on the railroad, construction, and miscellaneous industries. With higher prices filed for the third quarter that are subject to cuts, but not increases, there is little incentive for more than hand-to-mouth buying. Already motor companies are up to their old tricks of offsetting their lower price inducements by demanding price concessions from material suppliers.

Aggressive Automobile Tactics That Ford, who desisted from lifting prices in April, should improve his competitive position by making reductions, reflects the aggressive sell-

ing tactics of the motor industry. A slight dip in May sales induced the industry to cast about for immediate remedies. Price cuts and new models, minus fancy gadgets, are now being tried out, presumably with some success since production is turning upward. June is now estimated at from 250,000 to 300,000 units, with fair chances for reaching the higher figure. This would bring the first half of 1934 above 1.7 million units.

New Model Plans Guarded

But plans for 1935 models are still carefully guarded, and machine tool builders are left guessing as to when the downward trend in new orders will be stemmed. A policy of watch-ful waiting is being tried that will result in the customary bunching of business as soon as confidence is strengthened. Fear of labor difficulties has not subsided.

1933 Rail Output Low

Rail business was meager in 1933, despite governmental stimulus. Only 416,296 tons of rails were produced compared with 402,566 in 1932 and over 3.2 million tons in the peak year, 1926. Most encouraging aspect of these records is the indication of the huge replacement volume needed. Much of the federally financed rail business will be rolled in 1934. May freight car awards, according to Steel. number 717, a fair total compared with recent years but below the 800 of April. Shipments of locomotives in May totaled 34, the highest in over

Power Production

Sustained power production is encouraging, though some sections of the country, notably New England, are falling behind last year's level. However, this decline is not serious in view of last summer's extraordinary activity preceding the codes and price increases.

Drought Hits Trade

Drought in the Western states is exerting an unfavorable effect on sales, though it is too early to determine the full influence. During May, general merchandise sales in rural areas increased 61% over the April daily average. Grocery sales are lagging in volume behind last year. That dry goods retailers have resorted to small price reductions to stimulate consumer buying is evident in the second consecutive decline in the Fairchild retail index. Wholesale prices in May were slightly firmer than in April, with no indications of weakness in the near future. Moody's index of 15 major raw materials is not far from the peaks of 1933.



RUBBER ends the last peril of flying

FoG and darkness had been conquered by the aviation industry, but planes were still being wrecked, passengers and mail delayed, by ice. Under certain weather conditions enough ice formed on the wings and control surfaces in a few minutes to send a plane to the ground, sometimes completely out of control.

Aviation leaders turned to Goodrich. Goodrich engineers built the largest refrigerated wind tunnel in the world, and began experiments. Now planes fly through ice clouds almost as casually as through a summer breeze because on the leading edge of wings, struts and propeller are Goodrich De-Icers—rubber tubes which pulsate, and so break off the ice as fast as it is formed.

Here is a use of rubber made possible by two Goodrich

developments—a rubber compound able to flex millions of times without breaking, and the famous Goodrich Vulcalock process which bonds rubber to metal or any other material, with a powerful adhesion.

In the hands of Goodrich application engineers rubber has become the outstanding new material in industry—reducing costs, improving products, adding new sales features. It can be made soft and pliable to absorb vibration and noise; it can be made so tough that it outwears steel; it can be made odorless; it can be made in almost any shape, any color, any texture. Rubber is on the march to new usefulness in thousands of products. Counsel with Goodrich on its use in your own. The B. F. Goodrich Rubber Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

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Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)-The biggest surprise in the closing hours of the New Deal Congress was passage of the housing bill. The building and loan association lobby was licked to a frazzle. The biggest disappointment to the Treasury and to banks generally was failure of the Bulkley bill, amending the Federal Reserve Act. The greatest relief was to Franklin D. Roosevelt, whose carefully laid plans both for political strategy and personal wishes called for adjournment not later than June 20. The greatest compromise was on the labor disputes bill substitute for the Wagner measure. The biggest bloc triumph was the silverites' starting down the road to bimetallism, they hope. The champion for "taking it" is Rexford Tugwell, who saw first his food and drug

bill and finally the AAA amendments die in pigeonholes. The most flabbergasting whitewashing honors went to the vindicators of Huey (Sands Point) Long. Huey also took first honors in filibustering, in the original gunrunning sense of the word. He pushed through the farm mortgage moratorium despite unanimous decision of leaders of both parties to shelve it. Dark horse railway pensions, as predicted last week, squeezed under the wire, carrying - another surprise the railroad labor adjustment bill on its back.

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In its drive for reorganization of home mortgage financing, the Administration took the building and loan associations for a long, hard ride. Back-seat driving by the U. S. Building & Loan League got them what they wanted in the House, but the Administration took the wheel in the Senate and the new law is 100% the Administration's original bill. This included guarantee of building and loan deposits, but otherwise the only consolation is that the new national mortgage associations cannot make direct loans to home builders except through subsidiary lending agencies which the law apparently will permit them to set up.

Madame Secretary Wins

Madame Secretary Perkins "speaks for the President" in future steel strike settlement negotiations, dis-placing General Johnson and Senator Wagner. Mme. Perkins has held firmly for the right of the Labor Department to dominate in the labor problems of the Administration. She has clashed with Johnson repeatedly,

THIS WEEK

Champions of the New Deal Congress — biggest surprise, biggest disappointment, biggest winner, biggest whitewash, biggest nuisance.

F. D. R. can write his own budget.

Mme. Secretary waits, and

Protected industries speak Esperanto and tariff dickers

wisdom waiting on intuition may be immensely valuable in labor settle-

Historic Hot Springs

Business moves into a new era in relation to NRA and New Deal business policies in general with the Hot Springs meeting of members of Johnson's Industrial Advisory Board. The board now will have 5 permanent officials in Washington, in the heart of NRA, a closer influence in policies, and by accepting NRA as permanent and working to shape its future, it moves business into a cooperative and therefore a more powerful position than it has ever held as critic and protestant only. The Hot Springs meeting may turn out to be a historic event if business accepts the new leadership wholeheartedly.

Communications Personnel

Most prominently mentioned for appointment on the new Federal Communications Commission are Judge Eugene O. Sykes, senior member of the old Federal Radio Commission who will undoubtedly become new chairman, and Dr. Milo R. Maltbie, active for years in the but has never made an issue until New York State Public Utilities Com- anything on their side since the victory was in sight. This patient mission and Roosevelt's choice there golden plums have already ripened.

as chairman. These selections imply little change in radio regulation policy but aggressive handling of telephone subjects, with which Maltbie is already familiar.

Meaningless Big Figures

President Roosevelt can write his own budget without inflating to get the money. This is the only significance that attaches to figures running into scores of billions. If cash runs short in one direction, he can tap other unexpended balances, or call on the RFC to borrow what he needs. Big headline figures for this and that actually overlap considerably. The Administration is flashing a big roll, but so far spending relatively little.

In Any Language Germany and Italy already are objecting to removal of protective barriers from their inefficient wheatgrowing industries, as a part of a trade with United States under a reciprocal tariff agreement. It is becoming increasingly apparent that other countries will find as much difficulty in throwing their inefficient industries to the wolves as the United States has in removing protection from its inefficient sugar industry. The whole philosophy of the Administration's plan is to increase agricultural exports and industrial imports.

A Whisky Plea

Canadian whisky men are making strong representations for Presidential action cutting the \$5 import duty in half, saying the next 2 years, while American whisky is aging, is the time to use existing Canadian stocks.

Export Bank Plans
The Export-Import Bank for Cuba is to extend its operations to Puerto Rico and the Virgin Islands, to help in retiring marginal lands and generally furnishing funds to work out the recovery program. Meanwhile American continental manufacturers are fighting code differentials designed to allow lower wages in island

manufacturing industries.

The third Export-Import Bank, which would cover the whole world excepting Russia and Cuba, which have separate banks, is not to be formed right away. This is part of the strategy to get reciprocity arrangements through with Latin America on a basis of normal credit conditions before loosening Uncle Sam's purse strings. Russian debt negotiations are badly jammed because the Russian Export-Import Bank was formed before negotiations began and the Russians cannot seem to realize they have to do

112% to 138% Annual Return on Investment

ANY industrials engaged in a wide variety of manufacturing, and located in all parts of the country, are finding that sound changes in equipment are actually paying phenomenal returns on their investments; for example—

A New Hampshire cutlery manufacturer installed electric heat and shut down his steam boiler during the summer. Cost, installed, \$346. Annual savings, \$425—a 122% return on the investment.

An Ohio coal mine replaced an old ventilatingfan drive with a synchronous motor. Cost, installed, \$3,258. Annual savings, \$4,500—a 138% return.

A paper mill in Oregon connected mechanical-drive turbines to motor-generators to obtain power-steam balance. Cost, installed, \$16,000. Annual savings, \$18,000—a 112% return.

Companies that thought their factories did not offer such opportunities have found, on careful search, that surprising savings could be achieved by the right kind of changes. The probabilities are that it will pay you to look for such changes and to encourage your employees to make suggestions which will lead to savings. Why not start a new search to-day?

An experienced sales engineer in a nearby G-E office will gladly discuss your electrical problems with you. General Electric, Schenectady, N. Y.

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BUSINESS WEEK

JUNE 23, 1934

Housing Campaign

"Rebuild America" program starts off with drive for home repair and modernization-to boost business, make jobs. Later, emphasis will shift to new housing.

pair and modernization campaign will follow immediately on the heels of the Housing Law. The new organization, with Harry Hopkins as administrator and Corrington Gill, FERA economist, as deputy, was already tentatively set up when Congress finally passed the bill June 18. Ward M. Canaday of Toledo, quiet, effective president of U.S. Advertising Corp., had already been slated to direct the big promotion campaign.

Ending a Long Tussle Enactment of the Housing Law followed several days of suspense in which the final outcome was in doubt and ended a long tussle with the U. S. Building & Loan League, charged by Administration forces with "trying to use the bill to clinch its monopoly of home-building and finance." The Home Owners' Loan Corp. also was slighted by placing the administration of the program in a new organization known as the Federal Housing Administration.

To stimulate home renovation the law creates a \$200-million fund to insure loans up to 20% of the aggregate made by any bank, trust company, building and loan association, instalment lending company, or other institution.

New Homes Eventually

After the modernization program is under way, emphasis will shift gradually to new home building on which 20-year mortgages up to 80% of appraised value with a limit of \$16,000 will be rautually insured to the aggregate of \$1 billion, including low-cost housing projects up to \$10 millions each. Another billion is earmarked for insuring mortgages on existing properties in order to spread the benefit of the Administration's attempt to reorganize and reduce the cost of home financing. An interest rate of 5% will prevail generally but 6% may be applied if demanded by conditions in certain areas. The insurance premium may be fixed within limits of not less than 1% nor more than 1% of the original face of the mortgage.

To attract private capital into home financing and divert it to localities where it is needed, national mortgage associations capitalized at \$5 millions

PROMOTION of a nationwide home re- each will be established with power to issue obligations representing 10 times their capital stock and to buy and sell insured mortgages. Organization of this new chain of home financing institutions was opposed by the U. S. Building & Loan League, stricken out by the House banking committee and later restored, as was a provision authorizing member banks of the Federal Reserve system to carry the new insured mortgages. The proposal of the building and loan associations to sell the government \$500 millions of their shares was thrown out in the last hour by the House and Senate conferees on the contention that this embodied just what the Administration is trying to steer clear ofthrowing the load back on the Treasury. But deposits in building and loan associations will be guaranteed up to \$5,000 as bank deposits are guaranteed through a \$100-million subsidiary of the Home Owners' Loan Corp. HOLC capitalization was, at the same time, increased

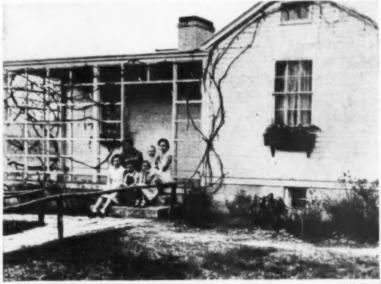
from \$2 billions to \$3 billions for refinancing mortgages on distressed homes and the amount HOLC may lend for repair of such property was boosted from \$200 millions to \$300 millions.

While the housing program's mort-gage-financing features should serve to ease the revival of home-building, realistic critics point out that the latter must await further revival of purchasing power, are not inclined to look for any early results from the Administration's latest recovery effort. Business is more immediately interested in the modernization campaign, hopeful that Washington backing will prevent the disappointment that has followed some local drives of this type.

Payment in Kind

Government experts figure out just what stretegic materials war debtors could send as payment, and how much of each.

SUGGESTION in Secretary Hull's note on war debts that the war debtor nations, particularly Great Britain, might explore the possibility of payment in kind was something more than casual. Behind it is an elaborate factual study of just what commodities the United States



SUBSISTENCE HOMESTEAD NO. 1-B. B. Luzier and family took the first subsistence homestead in the government's project near Readsville, W. Va. Though intended for resale, house plus 5 acres, at \$2,000, the first 50 homes are said to have cost the government \$3,500 each, exclusive of land. Bought "knocked down." the houses when reassembled were unsatisfactory, required additions.

might be willing to accept in such a deal, and how much of each.

Study began with the "strategic materials"—commodities that have war significance, and which must be imported because domestic supplies are either non-existent or inadequate.

22 Materials Important

There are 27 important commodities on the list. Only 2, camphor and nitrates, have lately been developed domestically by chemical synthesis. Perhaps 3 others may be dismissed as either too perishable or too bulky for storage—coffee, sugar, hides. The remaining 22 are for the most part minerals or metals. Experts have estimated how much of each we might accept within a given period. Business men will find the data interesting, as are the various theories of the way deliveries should be accepted and how reconsignment into trade channels can be effected with least shock.

Tin undoubtedly ranks at the top of the list of import mineral needs. Open proposals have been made that British payment in tin be encouraged to restock depleted supplies. About 70,000 tons a year for peace uses, with perhaps a 50% increase if war conditions prevail, would make 200,000 tons a logical 3-year import. That is the interval for contract proposed. And the suggested price is 40¢ per lb., the average for the past 10 years. Uncle Sam would get \$180 millions in tin on this

theory

Nickel is another easy commodity for Britain to deliver as His Majesty's government, during nickel company mergers, traded its shares in old concerns for stock in the present International Nickel. By anticipation of its own dividends the government could, therefore, arrange to send the United States from Canada say 100,000 tons of nickel worth \$60 millions in the next 3 years. No money advances from the British treasury would seem to be needed for this item.

Mercurial Italy

Other less common metals, some of which are needed just as badly by the United States, are tungsten, chromium, manganese, mercury, platinum, vanadium, antimony. No one of these would count quite so high in the millions of dollars as tin or nickel, but \$10 millions to \$20 millions could be credited for each of the 7 in a triennium, say \$100 millions for the group. It would be especially interesting for Italy to consider mercury as a way to pay its debt.

Non-metallic strategic materials listed are headed by rubber. At 10¢ per lb., a suggested price, we might acquire \$180 millions in rubber if taking estimated needs of 300,000 tons each of 3 years. And proper rubber grades properly prepared and stored would keep just as long as Uncle Sam chose to hold them, rubber experts say.



TWO SENATORS—Baron Maurice Rothschild, visiting European banker and member of the French Senate, gives Senator Joseph T. Robinson (Democratic Senate floor leader and member of the Foreign Relations Committee) the European viewpoint. The gentleman from Arkansas is the one with the cigar.

Cocoanut shells for gas mask charcoal are mentioned prominently. Also Washington talks, perhaps less enthusiastically, and surely in smaller dollar language, of the textiles—manila, sisal, jute, silk, and even wool. All are on the strategic list. Other equally vital commodities among possibilities studied in Washington are—shellac, nux vomica, quinine, opium, iodine, mica. Only the last named has had much official support thus far, it seems. Of it, the official talk is in terms of \$5 millions to \$10 millions.

Suggested Techniques Imports might be made in the name of the government through the Export-Import Bank, or by some commercial agency commissioned to act for the government. The government would want to hold some part of these materials for war reserves, stocking them in govern-ment warehouses. It could offer the balance to American industrial groups in lieu of imports, or might even go so far as to forbid imports of competing material until government supplies were taken under contract. This latter would, however, probably not be necessary. Many corporations would presumably agree to take some of the government material at world prices or some discount therefrom appropriate to induce cooperation. Some, confidentially ap-proached, have said they would share

in the use, at a fair price.

It is suggested that by this plan the United States could gain a leverage to limit prices of the world cartels which so far dominate most of these strategic materials. The argument against those

who oppose government entry in this trade is, "If other governments are in, as they surely are, why not ours?"

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No one expects the adoption of such a plan without violent opposition. Domestic manganese producers, just to cite one example, are never modest nor mute on such a proposal.

Small Frigidaire

Biggest refrigerator maker decides the mass market is worth tapping.

No great ideas are secrets. Last week, General Electric announced a drive for the lower income market with a new electric range and refrigerator, TVA-approved and sold. This week, Frigidaire, ace refrigerator maker, announces a new refrigerator, also lift-top, also minus luxuries but of the best construction, to act as opening wedge on the great mass markets until now inaccessible to electric refrigeration. Next week, or soon thereafter, still another manufacturer will come forth with a simplified, lift-top model.

Obviously, Frigidaire didn't think up its new lift-top job in the week since GE cracked its announcement. Apparently, there is a decided movement into the underlying mass market, a movement long indicated by growing sales of electric refrigeration in the upper bracket,

or easiest, markets.

The new Frigidaire costs \$77.50, delivered, installed, plus freight, consumes very little current. It is about

36 inches high, 21 inches wide, 21 inches deep. Compressor is in the base, unit is the 1/20th hp. sealed compres-sor type introduced by Frigidaire in 1922 which has been thoroughly tested in all residential requirements. Exterior is Dulux finished; interior is all porcelain. Capacity is 2 cu.ft., space is more efficiently used than in other types.

President Biechler says the new model taps a new market, will not interfere with present models or price structures, meets the needs of families which have nationally through the regular channels,

been using ice boxes, even window sills. "In designing a low-priced model," he said, "Frigidaire is definitely broadening its market, and at the same time directly contributing to the efforts of all industrial and governmental agencies to provide appliances that will improve the living conditions of families that have very little to spend."

Which probably means that the new Frigidaire will eventually be marketed in the Tennessee Valley as well as tions of Minnesota, South Dakota, Wisconsin, and northern Illinois, the dairy industry has been overdeveloped as milch cows have replaced beef herds.

The net effect of the feed shortage will be still further to reduce beef herds through the entire Northwest. Recent large slaughter figures are actual liquidation—the premature slaughtering of yearling steers and heifers, and calves of the 1933 crop. Feeders, warned by the débâcle of October and January, when steers of excessive weight sharply depressed prices, have been inclined to dispose of underweight livestock, rather than take chances with scarcity-priced feed. Feed lot placements have been restricted because of wilted pastures, shortage of water, and uncertainty of the corn crop. The latter will determine the amount of winter beef production. Indications are that a good corn crop will be harvested east of Chicago; Illinois, suffering from late planting and the chinch bug, will have a small yield; Iowa has prospects ot a normal crop; Nebraska and Kansis will be short. Corn is likely to be high in price and the scores of marginal feeders, who operate only during years of cheap corn, will not be producing beef this year.

Dairy Developments The overdeveloped dairy industry may emerge from the débacle with nearly balanced production. The arid spell compelled the wholesale exodus of "boarder," tubercular, and lowproducing dairy cows, though movement of dairy cows to the slaughter houses contracted promptly in the first two weeks in June, when rains provided pasturage again. But the chances are that dairy production will be curtailed, because of fewer animals and scarce feed.

April production of creamery butter for the country, at \$133 million pounds, is 31% under last year. The decrease during the first 4 months is 8% under last year. North Dakota, twelfth in butter production in 1933, is expected to have virtually no butter in 1934. The Land O' Lakes cooperative reports a 15% cut in butter receipts and estimates that the industry will fall short by 200 million lb. during 1934. Stocks of creamery butter, which were 175 million lb. last fall, have been reduced to 11.8 million lb. The government took 50.7 million lb. for its surplus relief program and now has only 800,000 lb. in storage.

Hog Repercussions The hog production program of the AAA has received a more or less unwelcome impetus from the drought. All through May, livestock markets were congested with famished spring pigs, that brought less than the processing tax. The AAA has extended its pig-

and sow-buying program. These sales

What the Drought Means:

Further reduction of beef herds; curtailed output-but perhaps better balance—in dairy industry; higher meat, milk, and butter prices; less cash from farmers.

HEALING rains have been falling upon the parched central valleys of the Northwest, but not before the drought had done irreparable damage to the winter and spring wheat crops in many sections and sharply curtailed feed crops for milk and meat production. The corn crop is in the hands of the gods. If nothing untoward happens during the rest of the season, and if an early frost does not kill the late planting, the likelihood now is for a nor-mal yield which will atone for the loss of the oat crop. These are among the conclusions reached by James E. Poole of the Chicago Livestock Ex-going reduction for a decade. In por-

change, writing in Food Industries after extensive field work.

The more permanent effect of the drought will be felt in the wholesale depopulation of livestock. Climatic vicissitudes have made for a general contraction of livestock holdings for the last half-decade. In Illinois and the two Dakotas, which this year suffered most from the arid spell, were subjected to excessive rains last year, to a severe drought the year before, and to insect pests-the grasshopper, the chinch bug and the Mormon cricketin 1931, the herds have been under-

DROUGHT RELIEF-First check to be written in the government's emergency cattle buying program is turned over to Dean W. C. Coffey (seated, center), regional director, in Minneapolis, by Dr. E. W. Sheets (lower left), national director of the Emergency Drought Relief of AAA and Department of Agriculture.

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in the fall-and a probable premium on the survivors. Illinois and the Dakotas will have few mature hogs during the fall and winter period; Nebraska and Kansas will have insufficient feed to produce weight even if they have numbers.

Higher prices for grains and livestock, resulting from drought, have repercussions which must be distinguished from those due to higher prices which

portend few fat pigs and smaller litters come normally or from crop shortages outside the country. The farmer can't get high prices for crops burned up in a drought, so increases in his purchasing power must depend largely on government benefit payments. roads will carry less freight, packing houses will do less business, and the consumer will pay higher prices without being compensated from the increased industrial activity that comes from farm prosperity.

to get both sides to agree to the form and facts of the case, which made the threatened automobile and steel strikes such nightmares to business and labor.

Mr. Roosevelt turned significantly, not to General Johnson or to the old Labor Board, but to Miss Perkins, placed the steel job in her hands and made it clear that, hereafter, the Labor Department will take command in labor disputes.

Secretary Perkins will advise the President on appointments to the mediation board or boards provided for, and on what course the government shall follow when his new powers are challenged in the courts as they are fairly certain to be-by the steel companies

at the very start.

The new Railway Labor Act, forced through by the progressive bloc in the closing hours of the Congressional session, adds a significant note to the labor theme by introducing an unprecedented element of compulsion in the settle-ment of labor disputes. Its application is confined, however, to minor arguments growing out of grievances or interpretations of existing agreements on pay, rules, or working conditions.

A Dubious Clause

The railroad unions submitted to this much compulsion on the understanding that, in case of a deadlock, a neutral member, appointed by the government, would cast the deciding ballot. managements fought this proposal and Eastman is not unduly sanguine

Debate over the Wagner Bill substitute and the Railway Labor Act was enlivened by the familiar threats of election reprisals if labor was not satis-

Votes for Arbitration

Labor peace move gains headway as steel union takes Washington way out of trouble and rail unions take chance on compulsory settlement of disputes.

WILLIAM GREEN, president of the A.F. of L., led the steel workers out of the wilderness into which they had wandered in Washington, when he proposed at the Pittsburgh meeting that they postpone the strike pending the acceptance by the government of his proposal for an impartial board to pass on steel industry labor problems. His proposal differed in various subtle ways from that of the steel companies, offered 10 days before, but its basic difference was that he provided that the 3 members of the board be named by the President without any provision (as in the steel companies' plan) that they should not be affiliated with the industry or organized labor.

Another basic point was that he proposed that representation for collective bargaining be on the basis of the majority choice of the workers; in other words, if the majority voted for the A.F. of L., the union men would represent all workers, and conversely if the company union men were selected by the majority vote, they should represent all. This threw out the principle of proportional representation provided in the President's settlement of the threat-

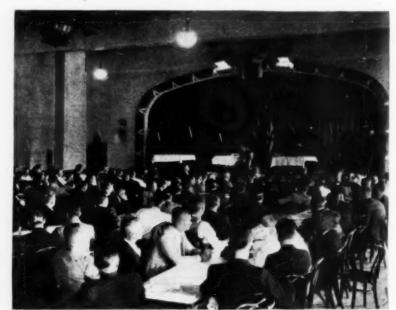
ened automobile strike.

Trusting the President

Leadership thus emerged at last in the harassed steel labor situation and the proposal to postpone the strike until the end of the month came as a result of the position taken by Greenmuch to the relief of Washington-and the A.F. of L., which was obviously convinced that a strike had no chance.

Meanwhile Congress rushed through in its last-minute flood of bills, the compromise measure on the Wagner Labor Disputes Bill. This clothes the President with authority to set up "a board or boards" to investigate labor troubles and "to order and conduct an election by secret ballot of any of the employees of any employer to determine by what person or persons or organization they desire to be represented" in collective bargaining under Article 7-a of NIRA. The phrase "or organization" was the only point of great controversy, but it went in-a vague victory for the unions. The new law does not say whether, after the vote, the majority rules or a proportional representation plan goes in; that remains in the discretion of the "board or boards."

The compromise plan suits nobody very well, but it does give legislative foundation for the National Labor Board and for such peace agencies as the automobile and steel settlement boards, which in the future may be appointed without the protracted efforts



STRIKE SUSPENDED-The plan of President William Green of the A.F. of L. for an impartial board of three, named by President Roosevelt, to settle steel's labor disputes stopped the long-threatened strike. The Amalgamated Association of Iron. Steel and Tin Workers, convening in Pittsburgh, approved Green's proposal.

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MISS PERKINS AT THE HELM-President Roosevelt turned the steel labor problem over to the Secretary of Labor, with discretionary power to represent him. Here, in steel labor conference, are (seated, left to right): Edward McGrady and Secretary Perkins, of the Labor Department; Louis Leonard, Michael F. Tighe, William Green, and (standing) E. W. Miller and T. G. Gillis, union representatives.

Republican ones. Organized labor has its private opponents.

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fied. They may have had their effect on never delivered a party vote and it will individual members of Congress but take a complete change in its leadership they are unlikely to have seriously wor- to shake its convictions as to the straried Democratic heads or greatly cheered tegic value of playing both sides against

Oil Control Slipping

Congress leaves Administrator Ickes to shift for himself without the additional authority he asked. The reaction on prices is already visible.

DESPITE rising gasoline consumption, the oil industry seems once more headed for hard times. It is the old, old story of too much oil, too many outlets, and not enough control. Every attempt at control has met with opposition, legal and illegal, and has ended up weak and trembling.

The present petroleum code, which lifted crude from a dime to a dollar a barrel, is the most successful measure of control, but it has its weak link in the matter of intrastate authority, a subject on which the Administration is sensitive, does not care to hurry to the Supreme Court for fear of effect on the whole NRA setup.

Early this week, the oil control bill which would have granted additional powers to the Administrator failed of enactment, as predicted. It died in com-

mittee in spite of White House telephone calls and all Ickes could do to publicize its necessity. Furthermore, funds for enforcement of the present code control were cut from \$2,096,000 to \$1,500,000, well below the minimum set by the Administrator.

Chairman Rayburn (Texas) of the House Interstate Commerce Committee gets the blame. There is no oil in his district, but his sympathetic concern for colleagues in the hot oil state was stronger than Presidential pleas, equaled only by the strength of his dislike for Ickes as Public Works Administrator.

Instead of arming Administrator Ickes against the hot oil runners, a Rayburn-appointed committee will investigate during the summer to determine whether, in effect, the quota restrictions conditions. Just what facts the investigation will develop that are not already known was the subject of satirical comment at the Capitol, but Representative Cole (Maryland) was duly named to conduct hearings and compile a report.

Eventually the House committee may write a bill, but the Oil Administration is out on a limb until the U. S. Supreme Court fortifies its asserted authority under NIRA over instrastate operations. The showdown will come next fall unless General Johnson again prevails upon Attorney-General Cummings to postpone the case.

Legal Legerdemain

Until the Supreme Court finally rules on this question every trick in a smart lawyer's brief case will be used to badger the Oil Administration. Some hope is pinned to the New Orleans circuit court's decision upholding the hot oil provisions of the code, but the plaintiffs have been able to obtain at least a temporary stay and Ickes doesn't have much on which to build a bigger enforcement organization in Texas.

Gasoline prices already show the effect of the weakness of the present code so well advertised by Ickes. Jobbers are holding off for the lower prices

they think are coming.

The Ickes bill was endorsed by the Darrow review board which declared that systematic and authoritative control of production is essential. The board's recommendations concerning enforcement of the marketing sections of the code probably will bob up later in orders by the Oil Administration, now pestered by widespread complaints from independent distributors that while Ickes has been trying to shut hot oil valves, the big companies have been doing just about what they pleased with gasoline.

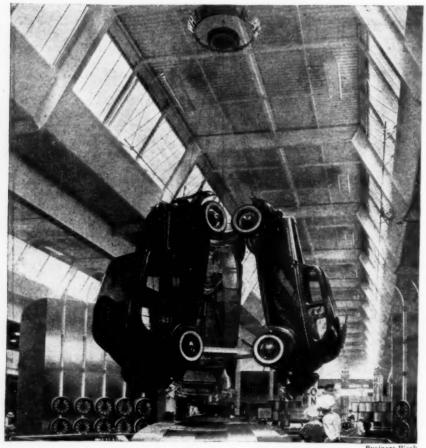
Strange indeed in the light of its attack on Johnsonian policies, the Darrow board recommended price-fixing by the Oil Administration to stop destructive price-cutting in emergencies, also urged that steps be taken to prevent use of excessive pipe line profits by integrated companies to market gasoline at

as loss.

Pipe Lines Cut Rates

This is heading toward divorce of the pipe lines and is anticipated by the move of the big pipe line companies to cut rates. Refiners in producing fields have protested, but independents generally have been grumbling for years that pipe line rates are too high.

Now that consolidated tax returns are practically verboten, the pipe lines have another reason for reducing rates. Last year's net income of the Texas Pipe Line Co. of Oklahoma was \$928,436 on an investment of \$6,524,987 in gathering and trunk pipe lines; Shell Pipe Line Corp.'s net was \$10,436,113 en \$51,585,177; Stanolind Pipe Line which Ickes proposes are warranted by Co., \$12,365,087 on \$87,379,624; and



FORDS ON EXHIBITION—Three Ford cars suspended from the rim of a Ford wheel (with signs stating that 14 could be so hung) form this exhibit in Machinery Hall of the Ford Building at A Century of Progress.

Texas Pipe Line Co., \$6,528,100 on \$56,055,840.

Obviously to delay the oil control bill and to give Representative Strong, of Texas, some campaign material, Rayburn's committee held a half-hour hearing June 7 on the bill to divorce pipe lines from industry ownership. Much to their pretended indignation, the pipe line companies were not called. Actually they were delighted, as they think now that they will have an argument in the next Congress against consideration of the bill by a committee which did not give them a hearing. But the pipe lines may have to look sharp when Congress has to tackle the oil problem that will still be waiting for it next year.

Flexible Eureka

Vacuum cleaner company again changes its sales policy to meet a change in sales conditions.

By its recent shift back to direct selling, Eureka Vacuum Cleaner Co. has demonstrated that drastic changes in the basic distribution policy hold no terror, if changing trends, economic conditions or its own balance sheet dictate a reversal. When Eureka began to market vacuum cleaners it wooed the wholesalers, dealers, and other independent outlets. Then, as its product gained public acceptance, it went in for controlled retail distribution. Branch offices were opened in the larger distributing centers and the company's own high-pressure sales force combed each territory for direct sales, mostly on the instalment basis.

Under that plan, sales made an alltime peak of \$12\frac{3}{4}\$ millions in 1927 and net profits soared to \$1.8 millions or 14.1% on sales. But even some of the best territories began to "run dry" under such pressure and a decline, which started in 1928, carried sales down to \$4\frac{1}{4}\$ millions in 1931 and piled up a deficit of \$1,163,096 for that year (equal to 27¢ on every dollar of sales).

Thereupon the company did another "about-face," switched back to the wholesalers, dealers, distributors, department stores, etc. For 1933 sales were only slightly above \$1½ millions but, being free of instalment sales losses and the upkeep costs of branch offices and sales staffs, the company squeezed a 6.5% net profit out of its sales, and, from a percentage standpoint, was half-way back to its record performance.

Recently on the conviction that condi-

tions will continue to improve, direct selling has been resumed. Already 50-odd sales offices have been opened and expansion in that direction is proceeding on a pre-determined schedule. This despite the fact that a check-up late in 1933 showed that 80% of sales involved trade-ins, thereby adversely affecting possible net profits from direct selling.

Ford Cuts, Too

Sales and production respond to price cuts; Ford decides he likes the differential.

Two weeks ago, motor makers relinquished spring price increases to keep up slackening sales momentum. Late last week, an announcer on the Ford program varied the usual conclusion that "Ford has not raised prices," by casually remarking that Ford had cut prices \$10 to \$20.

Thus did Henry Ford reply to competitive reductions—and incidentally take a fresh grip on his own sales momentum. Thus, too, did rival motor makers, already eyeing Ford totals, find themselves in the same old situation following the price cuts.

Apparently the antique collector of Dearborn, who said, "When prices go up, business goes down," when the others raised in the spring, believes that when prices go down, business will go up. Certainly, production throughout the industry has responded instantly to the cuts; schedules are up again; dealers are wiring for cars, although the powers that be were worrying about excessive field stocks not so long ago.

It is even possible that the slashes, which now extend throughout the whole industry including commercial cars, will start another summer sales boomlet like last year's by again setting up the fear of higher prices.

Almost all manufacturers have made price concessions. Two, Dodge and Hudson, put out new models carrying the lower prices. Another, Plymouth, will follow cuts with a new model.

So in the low-priced field there will be the Standard Chevrolet (leaf springs), the Master Chevrolet (knee action), the Ford, regular and de luxe lines, and Plymouth with 4 series: the Standard 6 (leaf springs), the Plymouth 6 (knee action, 114" wheelbase), the De Luxe 6 (with all the fixings), and the new line, the Special 6, on the shorter wheelbase, with knee action and other de luxe features.

Prices for the new job will be strongly competitive at \$620 for the 4-door sedan, \$580 for the 2-door sedan, \$560 for the business coupe. The 4-door model is lower than comparable models of Ford or Chevrolet.



There's satisfaction in the certainty of traction his Goodyear Truck Tires give him. The world-famous All-Weather tread is responsible.

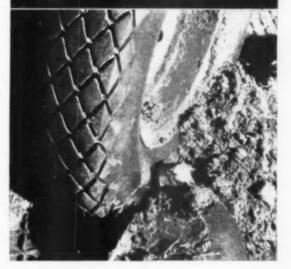
Other exclusive Goodyear features that make for his complete tire satisfaction are:

Patented pre-shrunk Supertwist Cord construction . . . Body Rubber chemically toughened . . . New flat, highshoulder tread shape . . . New improved bead construction . . . Pima cotton, longest fibre grown.

To his boss, viewing everything through the bars of the sign, these features mean simply that Goodyear Truck Tires are Money Savers.

Whatever your business, whatever sizes of trucks you own, Goodyear Truck Tires can save you money.

money savers



TRUCK TIRES - Money savers

What Congress Did:

MONEY

PURPOSE: To raise prices, increase purchasing and debt-paying power, revive trade.

METHOD: By taking over all mone-tary gold stocks in U. S., ending gold coinage, authorizing President to revalue dollar at 50% to 60% of its statutory gold equivalent, and creating \$2-billion Treasury fund out of devaluation profits for use in stabilizing dollar internationally. By declaring it U. S. policy that ultimately one-fourth of our monetary stocks shall be silver; to that end, authorizing discretionary Treasury purchase and sale of silver and issuance of silver certificates against holdings, permitting purchase of newly-mined silver and authorizing President to take over "any or all" privatelyowned silver stocks; at same time, imposing a 50% tax on profits of trading in silver, excepting newly mined silver and silver used in industry.

ACTION: Gold Reserve Act signed by President Jan. 30. Dollar devalued to 59.06% of previous gold equivalent (by raising price of gold from \$20.67 to \$35 per oz.). Silver Purchase Act, signed by President June 19.

BANKING

PURPOSE: To strengthen confidence in banks, stimulate banking activity in industrial reconstruction.

METHOD: By extending temporary bank deposit insurance plan 1 year to July 1, 1935, but with amount eligible for insurance raised from \$2500 to \$5000. By authorizing, but not directing, the RFC to loan on or purchase assets of any bank closed between Dec. 31, 1929, and Jan. 1, 1934, whose affairs have not yet been liquidated. By authorizing Federal Reserve Banks and Reconstruction Finance Corp. to loan up to \$580 millions working capital for industry under regulations they will prepare, loans to be limited to 5 years.

ACTION: Deposit Insurance Act signed by President June 16; Direct-Loans-to-Industry Act, June 20.

INVESTMENT PROTECTION

PURPOSE: To regulate securities exchanges and over-the-counter markets and control their speculative uses. At same time, to relax provisions of 1933 Securities Act felt to be unduly restrictive.

METHOD: By placing exchange and securities regulation under 5-member bipartisan commission, having power to license exchanges, register securities. By forbidding excessive use of credit for securities trading, giving Federal Reserve Board authority to set restrictions on bank loans for meeting margin requirements. By establishing rules governing exchange practices. By lightening security registration rules.

ACTION: Securities Exchange Act signed by President June 6.

TAXES

PURPOSE: To increase revenue and shift some of tax burden from "earned" income to "unearned," particularly dividends and tax-exempt securities. To cut down means of legal tax-avoidance. To lessen nuisance taxes, concurrently providing for liquor tax revenues.

METHOD: By detailed changes in income tax rate structure, depreciation allowances, and treatment of capital gains and losses. By taxing personal holding companies and eliminating consolidated returns for all corporations except railroads. By repealing check tax as of Jan. 1, 1935, lifting tax on soft drinks, candy, etc. By enacting liquor taxes to yield \$500 millions annually.

ACTION: Liquor Taxing Act signed by President Jan. 11; Revenue Act, May 10.

BANKRUPTCY RELIEF

PURPOSE: To ease debt deflation and prevent minority of bankrupt's creditors from blocking reasonable adjustment.

METHOD: By permitting corporate reorganization on approval of two-thirds of creditors and the courts. By providing that, during emergency period of 2 years, local governmental taxing units may ask federal courts for approval of readjustment plans acceptable to specified majorities of creditors.

ACTION: Municipal Bankruptcy Act signed by President May 24; Corporate Bankruptcy Act, June 7.

FARMERS

PURPOSE: To ease farm debt burden. To supplement crop production aid and crop surplus reduction. To control marketing of special crops.

METHOD: By creating Federal Farm Mortgage Corp. to issue governmentguaranteed bonds exchangeable with consolidated farm loan bonds, and otherwise to support Federal Land Banks. By extending Land Bank Commissioner's power to loan for redemption of foreclosed properties and otherwise engage in mortgage refinancing. By permitting extensions of time allowed distressed farmers for payment of mortgage debts, leaving debtors in possession of property under court orders and providing for instalment payments on debts. By authorizing Farm Credit Administration to make loans for crop production and harvesting. and for feed and live-stock in drought and storm areas. By admitting cattle, peanuts, rye, barley, flax, and grain sorghums to basic commodity list for surplusreduction and benefit payments through processing taxes. By tightening cotton crop control through 50% ginning tax on crop excess above 10 million bales. By putting domestic and imported sugar under quota control. By strengthening quota control of tobacco production and imposing a 25%-333% tax on sale price of all leaf tobacco except that marketed by growers signing quota agreements.

ACTION: Farm Mortgage Refinancing Act signed by President Jan. 31; Farm Mortgage Foreclosure Act, June 12; Frazier-Lemke Farm Mortgage Act before the President this week. Crop Loan Act, signed Feb. 23; Jones-Connally Farm Relief Act, Apr. 7; Bankhead Cotton Control Act, Apr. 21; Jones-Costigan Sugar Act, May 9; Kerr Tobacco Control Act before the President this week.

DIRECT RELIEF

PURPOSE: To minimize destitution through unemployment and drought.

METHOD: By continuing civil works program, though on reduced scale. By providing jobs through emergency grants to states for highway construction. By including large sums for general emergency and drought relief in Emergency Deficiency Act.

ACTION: Civil Works-Emergency Relief Act signed by President Feb. 15; Hayden-Cartwright Highway Construction Act, June 18; Emergency Deficiency Act signed by the President June 20.

LABOR

PURPOSE: To perfect and increase the acceptability of government machinery for

To And For Business

mediation in labor disputes and to encourage amicable settlement of such disputes by collective bargaining under government supervision. To make an experimental start on a retirement pension program for workers (old-age pensions being included in the Roosevelt agenda for 1935).

METHOD: By authorizing President to establish a board or boards to investigate issues in labor disputes arising under Section 7a of NIRA, to conduct elections of employee representatives under regulations approved by President, with life of such board or boards limited to one year from June 16, 1934. By amending government agencies for settlement of rail labor conflicts to make arbitration moves more effective and to provide for compulsory arbitration of minor disputes. By setting up a government-supervised pension system for railway workers, applicable at 65, or after 30 years' service, with annuities based on length of service and drawn from funds to which both employers and employees contribute.

ACTION: Labor Disputes Joint Resolution signed by President June 19. Railway Labor Act and Railway Retirement Act both before the President this week.

HOUSING

PURPOSE: To stimulate home construction, repair and modernization, encourage mortgage investment, improve housing standards and conditions, aid industrial recovery.

METHOD: By guaranteeing Home Owners' Loan Corp. bonds to be sold or exchanged for purpose of refinancing mortgages and extending the corporation's authority to make mortgage and modernization loans. By creating Federal Housing Administration empowered to insure 20% of financial institutions' loans for home repairs and improvements. By establishing mutual mortgage insurance program to insure to 80% of value of property. By organizing national mortgage associations to increase available mortgage funds. By setting up Savings and Loan Insurance Corp. to insure accounts of federal savings and loan associations. By setting up a program for a nationwide home repair and modernization campaign to stimulate business recovery and make jobs.

ACTION: Home Owners Loan Act signed by President Apr. 27; National Housing Act before the President this week.

COMMUNICATIONS

PURPOSE: To improve regulation of and tighten control over interstate and foreign communications by wire and radio.

METHOD: By setting up Federal Communications Commission under which powers of existing regulatory agencies are consolidated and which is to make recommendations for further legislation at 1935 session of Congress.

ACTION: Communications Act signed by the President June 20.

AIR MAIL

PURPOSE: To revamp airmail contract system and route schedules following charges of fraud and collusion under existing contracts.

METHOD: By using Army to fly mails temporarily, then enacting new legislation establishing rules for bidding on and awarding airmail contracts, outlawing holding companies and interlocking directorates, reducing airmail postage from 8¢ to 6¢ per oz.

ACTION: Emergency Air Mail Act signed by President Mar. 27; Air Mail Act, June 12.

UTILITIES

PURPOSE: To lay foundations for a federal policy on electric power rates and utility regulation.

METHOD: By prohibiting federal courts from assuming jurisdiction in suits to prevent enforcement of orders of state rate-making agencies where state courts provide hearings and orders do not affect interstate commerce. By directing broad electric rate investigation by Federal Power Commission.

ACTION: Public Utilities Review Act signed by President May 14; Electric Rate Investigation Resolution, Apr. 14.

FOREIGN TRADE

PURPOSE: To revive exports and lower international trade barriers.

METHOD: By empowering President to raise or lower tariffs by not more than 50% for bargaining purposes and, for a period of 3 years, to negotiate reciprocal tariff agreements without action by Senate. By establishing limited foreign trade zones for processing and re-shipment of foreign goods without customs interference.

ACTION: Reciprocal Tariff Act signed by President June 12; Foreign Trade Zones Act, June 18.

THESE DID NOT PASS

TUGWELL-COPELAND PURE FOOD AND DRUG BILL: Died in Senate. Was not reported out by House committee.

FRAZIER-LEMKE MORTGAGE AS-SUMPTION BILL: Provision for federal acquisition of farm mortgages, involving issue of perhaps \$3 billions in greenbacks, was killed. (The Frazier-Lemke Act passed just before adjournment did not include this provision.)

OIL ADMINISTRATION BILL: Secretary Ickes lost his fight to get a legal strangle-hold on the hot oil runners, got only a Congressional investigation of the oil control system.

AAA ACT AMENDMENTS: Efforts to broaden licensing powers of Agricultural Adjustment Administration must await next session.

McLEOD BANK "PAYOFF" BILL: Proposal to refund losses in frozen deposits incurred by depositors in closed banks was blocked by House leaders' strategy which prevented a vote.

WAGNER LABOR DISPUTES BILL: Gave way to substitute measure empowering President to appoint a board or boards to mediate labor disputes, conduct elections of employee representatives.

SOCIAL INSURANCE MEASURES: General old-age pension bills and proposals for unemployment insurance were held over for next session when President Roosevelt has promised to bring up a broad program for insurance against "hazards of life."

CONNERY 30-HOUR-WEEK BILL: This met the usual industrial opposition and crossed NRA plans.

PATMAN BONUS - INFLATION BILL: Backed by veterans and inflationists, passed by House, rejected by Senate.

BANKING ACT AMENDMENTS: Administration will wait and see before essaying further banking reforms.

Fox Film Feature

Court decisions on Tri-Ergon patents involve movie industry, sound equipment makers and—last, but never least—William Fox, in a drama of suspense and millions.

FEDERAL courts have written a new sequence in that fantastic financial thriller starring William Fox, erstwhile movie magnate. Two recent decisions support Mr. Fox's famous Tri-Ergon patents and give him hopes of regaining some of his shorn powers. Meanwhile, the opposition hangs by its finger nails from the proverbial precipice where it must dangle until the United States Supreme Court comes to the rescue—or steps on its fingers. Whatever the final outcome, it will be of tremendous importance to every company that is connected with the movie business.

Vital Rights Involved

In Philadelphia the U. S. Circuit Court of Appeals upheld the validity of the Tri-Ergon flywheel patent; in New York, another court of appeals upheld the decision of a Brooklyn U. S. District Court which declared valid the Tri-Ergon patent on a sound-on-film printing process. Both devices are vital in their field. The flywheel is used on projectors to assure the smooth emission of sound. Even more important is the universal method of printing the sound record on one strip of negative film while simultaneously printing the pictures on another strip, the two being combined on a single master negative

film to insure perfect and permanent synchronization.

The suit involving the printing process was against Paramount but the defense costs are being met by American Telephone & Telegraph Company's Western Electric. Similarly, Corp. is opposing the flywheel litigation on behalf of an Altoona theater. For damages, if any, will not be paid by the Hollywood palpitation factories nor by the movie cathedrals where pictures are shown. The threat is against Radio Corp. and A.T.&T. groups because the picture companies have been paying them royalties under a patent pool. It is this pool which Mr. Fox charges with having infringed his Tri-Ergon patents. Picture concerns pay a royalty of \$500 for each negative reel made by the process of combining the picture and sound track. Some 8,000 theaters in the country are licensed to use R.C.A. or Western Electric sound equipment and they pay a weekly service charge ranging from \$15 to \$40. In return, the patent holders assume all litigation costs and damages.

Mr. Fox wins the first two battles on both fronts. But there are several large "ifs" between him and the final honey of royalties and revenge. Indications are that attempts will be made to carry both cases to the U. S. Supreme Court. Whether this ultimate tribunal refuses to review the cases or sustains the lower courts, Mr. Fox may still miss the kiss and clinch which is the orthodox happy ending for all romances. The Fox Film Corp., from the presidency of which he was ousted, has sued him for several millions, alleging various missteps while he was in office. One claim is that he assigned the Tri-Ergon patents to himself, though negotiations were made for the company, and that as a result the company is the rightful owner of the patents.

Magic Liniment

Should Mr. Fox succeed in establishing his patents finally and in holding on to them, he stands to garner a sum large enough to assuage all his mental hurts and spiritual contusions. It is estimated that the motion picture companies pay Western Electric and R.C.A. a total of \$3 millions annually for use of their patents in film recording. In addition, some \$8 millions in service charges are collected from theaters every year, making the total payments involved about \$11 millions annually. This has been going on since 1928. In addition to a claim on back royalties, Tri-Ergon would, in case of final victory, collect the future payments.

The perils of William Fox continues to be the most breathless serial of a lurid industry. He is the stainless hero embattled by big bad bankers, or a sinister Machiavelli, according to which side you are on. The whole affair has been accompanied by sound effects consisting principally of boos, groans, and hisses. Control of Fox Film passed to banking interests (after Mr. Fox had been bought off with \$18 millions cash and a since-discontinued \$500,000 annual salary). A wracking reorganization and a sickening series of write-offs leave the victors with what looks like a future

gold mine

While Mr. Fox is definitely out of the film company he created, he is still a loud disagreeable noise in sound picture making, by virtue of the Tri-Ergon patents. He is a perfect product of our age and of our goofiest industry. He was born in Hungary, spent his boyhood in a tenement district of New York's East Side, entered the motion picture business in the nickelodeon days. After running a fortune of nothing, net, into hundreds of millions, he succumbed to the colossus complex, overextended his credit in buying up theaters and in seeking control of Loew's Metro-Goldwyn, was tossed out of his companies by creditors when he failed to meet obligations.

Like other movie magnates, Fox was fascinated by the possibilities of the talkies. He saw the weakness of the early American experiments with discs (which broke and were always getting



MOFFATT TUNNEL—The first standard train over the new Dotsero Cutoff (formally dedicated June 16) here enters the 6.2 mile Moffatt Tunnel. The cutoff cost \$3,800,000; tunnel, \$18 millions; together they save 175 miles between Denver and Salt Lake City, put the Colorado capital on a transcontinental line.

TIME

—the unseen Ingredient

While concrete hardens, traffic is detoured, merchants lose sales — How 24-Hour Cement prevents these losses



NO LOST SALES HERE. Canal Street, New Orleans, commercial hub of the far South, had to be repayed. Merchants demanded quick action so 'Incor' 24-Hour Cement was used. Eighteen blocks were payed, a section at a time. New concrete, placed one day, was in use the next. Traffic was not diverted, business wasunaffected. Merchants estimate this sayed \$5,000,000 sales loss.



Concrete poured today, ready for traffic tomorrow

Mix cement, sand, crushed-stone, water—and you have concrete. But there's a fifth ingredient—Time . . . the time it takes for concrete to harden. It used to take 28 days, then 14, now 10 or possibly 7 days. But even 7 days is much too long when you consider what this delay means.

While concrete hardens traffic is diverted, business withers, merchants lose sales that never return. Motorists travel needless extra miles over dusty detours. Now this problem is solved by a cement called 'Incor' which hardens seven times as fast as ordinary Portland Cement—in 24 hours instead of seven days! With 'Incor' 24-Hour Cement, the mixer pours concrete today—tomorrow you drive over it. No longer are busy streets barricaded for weeks on end. Highway detours over makeshift roads are avoided. Industrial driveways and factory floors can be laid over a weekend, without a day's business disruption. Factory additions completed weeks earlier, financing expenses reduced, revenue begins sooner. Contractors save on forms and overhead. Concrete construction is revolutionized.

And 'Incor' makes better concrete because it is a perfected Portland cement. Its price is now little more than ordinary cement—a fraction of resulting economies. 'Incor'* is made by the producers of Lone Star Cement—subsidiaries of International Cement Corporation, New York, and is sold by other leading cement manufacturers.

*Reg. U. S. Pat. Off.

'INCOR' 24-Hour Cement



FILING THE BAKING-Crawford's new electric range has an oven like a file drawer; the food comes out when the door is opened. Also new are the toggle switches with far fewer parts mounted on top.

out of synchronization). Sound track on the picture film was his hobby and he conducted many experiments through his own company. In 1927 he heard of the efforts of 3 Germans—Englund, Vogt, and Massoelle-who were using sound-on-film. A beam of light through the sound track passed into a photo-electric cell, its vibrations were translated into sound vibrations which came out of the loud-speaker.

Patent Control Acquired

This sounded good to the wily Mr. Fox. Patents of the German inventors had been acquired by the Tri-Ergon Corp., of Switzerland. Fox bought 90% of the U. S. and Canadian rights for \$40,000; the Swiss company retained the other 10%. An option on rights for the rest of the world, for which he was to pay another \$40,000, Fox allowed to lapse.

the deal and all were his property. Some of them were of doubtful value and some applications were refused validity by the American Commissioner of Patents. But the method of combining the sound and picture negative, and the flywheel on the projector have, so far, stood up. Court fights are expected over the photo-electric cell device which one decision has declared a valid patent.

Meanwhile no wolves have been seen on the doorstep of Mr. Fox's Long Island palace. It is rumored that he has done quite well for himself in the stock market with that \$18 millions which broke his fall when he was dropped out of his film company.

Night Flights

Sleeper planes save working hours, so night air service, successful from start, is spreading.

NIGHT flying is ascendant. Since the resumption of mail service by the transport companies fully half of the longdistance passenger traffic is handled after dark, and the proportion is rapidly increasing. Seasoned air executives, surprised at the strength of this trend, are hurrying to take full advantage of it. The first flying sleepers are already in operation; many more will be before the summer is over.

Some two years ago night passenger service was instituted with the passengers in reclining chairs taking cat naps en route. The idea of air travel at night soon became generally accepted, There were 22 patents involved in ,but beyond a few experiments (notably Eastern Air's tryout of the first flying berths between New York and Atlanta last fall), there was no attempt to improve the accommodation of the passenger until last month when American Airlines installed sleeper planes on their Fort Worth-Los Angeles run.

This service took that part of the country by storm. With no extra fare charged, the planes have been booked solidly ever since the air pullmans were started. Despite the contrary opinions of experienced traffic men, the sleepers really sleep. Motor noise has been reduced to a hum that instruments show is less than in the average train. American, flying 3 sleeper Condors on the amount "provable" by each landlord is

present run, plans to spread this service to other routes. About July 1 new and faster Condor sleepers will be installed on the line from New York to Chicago. Under the proposed schedule a passenger may go to bed on the plane in New York any time after 10 p.m. with the take-off timed for one in the morning. Arrival at Chicago will be at 6 a.m.

Converting Present Planes Eastern Air, now flying 65% of its passengers at night, is looking into sleepers seriously. The Condors used in its New York-Miami and New York-Atlanta runs could easily be converted and probably will be before winter. TWA is well along in its experiments of making a bed out of two seats in the Douglas planes used in its transcontinental service, and this accommodation may be available on the new overnight hops TWA is planning to the Coast this summer. The contemplated schedule for this run, which may become effective the latter part of July, calls for a take-off in New York at 4 p.m., arrival in Los Angeles at 7 next morning.

United Air Lines, pioneers in night flying, feels that the public is more interested in speed and frequent service than in sleepers. The additional New York-Chicago flights, recently put into effect, lifted traffic from 80-85 passengers a day to 110-120. Eight of the 13 scheduled flights on this run are made at night. In the face of this record United does not want to reduce the carrying capacity of its planes by the 20%-50% needed to convert them into

Landlord's Comeback

New bankruptcy law reviving rent claims on tenants in reorganization should speed chain store clean-up.

ALTHOUGH the new Corporate Bankruptcy Act is but a few days old (BW-Jun16'34), already a committee of landlords of the old United Cigar Stores Co. of America has been formed for the purpose of pressing their rejuvenated

rent claims collectively.

Under the old law their chances of collecting future rents on unexpired leases were practically nil (BW-May 26'34) and, with the time for filing claims long since expired in this case, they would not have had any redress under the new law, were it not that reorganization of the property is in progress. That fact gives them the right to come in on a parity with other provable debts for rents up to 3 years next succeeding re-entry or surrender of the premises, plus such rents as may have been unpaid at that time.

However, determination of the actual

E FACTS (

LEADERSHIP! Because it produces greater results, Chicago department stores (Loop and outlying) during the first five months of 1934, placed more advertising in the Tribune than in any other Chicago newspaper.



REACHING MORE WOMEN, the Tribune carried, in the first five months of 1934, 45% more women's clothing advertising from department stores (Loop and outlying) than the second Chicago newspaper.

Diverse as women may be as individuals, their reading habits are strongly marked by one common characteristic. No matter what test you apply-circulation analyses, advertising linage reports—the result is the same. More women read the Chicago Tribune than read any other Chicago newspaper. Their de-



BECAUSE WOMEN RESPOND in greater numbers to advertising in the Tribune, department stores during the first five months of 1934, placed practically as much toilet goods and drugs advertising in the Tribune as in the two leading afternoon newspapers combined!

cided preference for the Tribune makes it the foremost women's medium in Chicago.

If your advertising must get the attention and response of women in this market, the Tribune is your logical medium. A representative will be glad to give you the complete facts.

CHICAGO TRIBUNE THE WORLD'S GREATEST NEWSPAPER

expected to present serious obstacles. In some instances, premises involved have since been leased to others, which will mean that the landlord must render a detailed accounting of monies col-lected, payments made for commissions, alterations, etc., before the net amount of his claim is known. Furthermore, in the United case a majority of the locations occupied at the time of bankruptcy have been re-leased by the Trustee, so that some of the landlords have considered the former leases surrendered, while others actually signed formal releases in which they relinquished all claims under the old lease.

Some of these will hesitate before joining the new committee, being unwilling to handicap or delay reorganization proceedings or invite unpleasant relations with a valuable tenant. Those who signed releases are probably out of luck, since it is considered extremely doubtful whether any court would sustain them in reentering the case under an act of Congress that was not even thought of when they relinquished all further interest.

Those familiar with the efforts that are under way for the reorganization of United Cigar and other chain store systems point out that making the landlord's claims admissible under the new act alters the situation materially in some instances. They reason that the landlords, heretofore left out in the cold, will gladly approve any procedure that gives them some real money and without much delay-and the new act requires only $66\frac{2}{3}\%$ for approval of reorganization plans. The case of one chain is cited in which reorganization could have been effected over a year ago if a small group, representing less than 10%, had not held out for better terms.

Merchandise creditors are not so well pleased to see the landlords enter the party, since, in most cases, their slice of the dividends will be trimmed down unless available funds are ample enough to pay everybody 100%-which, so wiseacres say, is not likely these days. Stockholders in the defunct chains are sorry to see the landlords get under cover because it pushes their chances for some salvage further down the line.

tions mutuals in several states having a majority of the banks had worked out their own insurance plans. The new provision in the law will therefore affect only those mutual banks in states where their number is too few to start an insurance plan of their own. The total in the FDIC will probably be fewer than 125 mutual banks, making a difficult

administration problem.

The New York mutual savings banks are withdrawing from the federal system as of July 1. At that time the banks will have their deposits protected by a state insurance fund similar to that adopted by Massachusetts banks last January. The insurance plan was the third step taken by New York banks to strengthen their mutual savings bank system. Last year the Savings Bank Trust Co. was formed for the purpose of making loans to savings banks on good assets even though these assets might be slow. The Institutional Securities Corp. was also formed to take good mortgages over from the banks for cash. These two institutions have given New York savings banks the ability to meet almost any emergency. Deposit insurance was delayed until the present to obtain needed state legislation, and the federal plan was entered into only to fill the gap.

Deposit Insurance

Conferees avoid permanent deposit insurance plan dangers, continue present system another year with minor changes. New York savings banks start own fund.

THE deposit insurance deadlock has finally been broken and a bill passed and signed by the President in a form more acceptable to bankers than seemed possible a few weeks ago. The Senate simply postponed the date for the permanent plan to come into effect. But the House Banking and Currency Committee was determined to force full insurance by doing nothing or, when prodded by the President, by so loading the bill with riders that it stood a good chance of failure. The conferees, realizing the gravity of the problem, reported a bill extending the temporary plan with only minor changes for another year, to June 30, 1935.

The House Committee persisted to the last in an effort to give non-member banks all the advantages of the Federal Reserve system without requiring them to become members. It sought to include in the measure a provision for paying off depositors of banks closed since December, 1929, and to lift the maximum of deposits covered by insurance. Many of the Administration leaders would have preferred to see the permanent plan go automatically into effect July 1 rather than to accept these proposals; they believed it too high a price to pay for putting off full insurance for a year.

But it was finally recognized that many banks would be unable to qualify at this time under the permanent plan, that a new wave of bank failures might result. So the conferees reached a compromise to continue the temporary plan for 1 year, to increase the size of deposits covered by insurance to \$5,000 from \$2,500, to authorize the RFC to make loans upon or purchase the assets of any bank closed after Dec. 31, 1929, and prior to Jan. 1, 1934, the affairs of which have not been fully liquidated or wound up, to extend for another year or until July 1, 1937, the time that nonmember banks may continue to receive the benefits of insurance. A last minute attempt was also made to hold mutual savings banks by creating a special "fund for mutuals" with insurance limited to \$2,500. It was in this form, as an amendment to the deposit insurance provisions of the Federal Reserve Act, that the bill was passed.

Special Mutual Problems

There is some possibility that FDIC officials were not anxious to have mutual savings banks in the insurance system. The mutuals form a small class of banks -only 567 in the whole country-surrounded by entirely different conditions from those of the ordinary commercial bank. Because of these separate condi-



A. R. GLANCY-A former vice-president of General Motors and recently division administrator of NRA in charge of heavy industries, he has become head of the compliance division.



Business Week
KITCHEN POWER UNIT—The new
Thor electric household servant puts
the washer to work every day in the
week. When washing is finished the
wringer goes in the locker below, a
flat top covers the tub. A food mixer
may be plugged in above, or toaster
and irons at the side.

Cage Eagle

Prison products made under compact may fly NRA bird.

STRENUOUS efforts made by private industry to keep NRA's magic Blue Eagle off consumer merchandise made in prisons have been unsuccessful.

Opponents, led by the Cotton Garment Code Authority, have argued that a Blue Eagle label on prison-made goods would serve to deceive the public, foster vicious competition from prison contractors, permanently injure private business enterprise.

Proponents point out that labels would be authorized only where officials of the producing state have signed the prison industries compact with NRA. This was designed to establish and maintain fair competition between products of private domestic industry and those of prison industries. It limits working hours to 40 a week and provides that prison products must not be sold at less than the fair market prices of competing private ones.

The recent order authorizes prison industries that operate under the compact (now signed by 29 states) to use numbers.

The Future of NRA

All this "reorganization" talk means that NRA and its industrial advisers are working on a setup that will go on after recovery law expires. It may be a merger with Federal Trade Commission.

Washington—The first months of NRA's second year will see a very different temper, and a very different job, from that which occupied its attention a year ago. The 73rd Congress, which created NRA, passed out of existence almost on the anniversary of the great industrial regulatory machine. Behind NRA on June 16, 1934, lay the tremendous job of codifying more than 75% of American industry; before it, in its second year, lies the problem of enforcement, compression and, perhaps more important than anything else, laying out plans—and putting them to some sort of test—for the future of this government supervision of cooperation.

Gen. Johnson Seems Set

From now on, the job of the NRA leadership will be to decide exactly what sort of continuing organization is to be offered with a request for legislation from the 74th Congress which convenes on Jan. 3, 1935. General Johnson will, from present appearances, continue in full control, although he may consent to take a vacation this summer. He wants to be the leading factor in determining what shall become of NRA when its official life in its present form ends on June 16, 1935. That means that the plan must be worked out, and ready for submission to Congress, very early in the 1935 session. Preparations to this end are already under way, and every action, every decision, every policy from now on will have in view its effect on the formation of that future policy.

The widely discussed plan for revamping the code arrangement, first told in Business Week some 2 months ago, looks toward the future setup. In the beginning code compression will be only administrative, with fewer code executives, more centralized relations to Washington, long before the number of codes or code authorities is cut down. For instance, there will be groupings in vertical arrangements of the industries handling the prime materials, the manufacturing machinery, the finishing, the making-up for the market, and the distribution, of each class of products. This will be the ideal, at any rate, although much remains to be done. The plan is now being laid out and will be mulled over, revealed and withdrawn, brought into the limelight and discussed-all with the future in view, the big plan for industry organization under self-governing codes, after June 16, 1935.

The discussions which went on over each other.

the week-end in Hot Springs, Va. (when some 40 leaders of industry who have served, at one time or another, on the Industrial Advisory Board of NRA. went into their own plans and into the needs of NRA for the future), is part of the preparation for the big revision. Out of that meeting has come, first, the setup of a permanent industrial advisory body, fitting into General Johnson's plan for his Advisory Council placing permanent representatives of industry, labor, and the consumer at his right hand in Washington-which fits into the reorganization plan. Out of the Hot Springs meeting also came many sound ideas for the part which industry, itself, is to play in the organization and operation of whatever follows the present NRA.

Everyone agrees that NRA will be changed, but Washington expects that it will go on. Its future form will not be crystallized for some months, though there will be trial balloons and temporary shifts in the headlines; but it should not be overlooked that the trend at this time is toward some sort of body which will take the place of both NRA and the Federal Trade Commission. The latter will be shorn of much of its outstanding importance by the setting up of the new Securities Commission, but its broad powers over industry remain, and it has several times stepped firmly on the toes of NRA—witness its

steel report.

NRA Research NRA's ably administered Research and Planning Division, under Leon Henderson, is making the economic interpretation of the results of NRA of prime importance in all plans, even for the current problems of compliance with codes, but it is also taking a very definite line, quite apart from the legalistic trend of the FTC, in its relations to industry. Those who are observing the reorganization problems of NRA suggest this economic study and interpretation can fit into the present functions of the FTC, without overlapping. It may well be that the legislation proposed to Congress next session will involve the formation of a new commission covering both NRA and FTC and holding a guiding and judicial hand over industrial self-government, as the next step in making real a new era in the relation of government to industry and of the units of industry to

Codes at Work

Incidents and problems that arise in the activities of the codified industries.

TEXTILE labor leaders have been clamoring for reduction of machine-hour limitations in the Cotton Textile Code (#1:BW-Aug26'33) from the present two 40-hour shifts per week basis to two 30-hour shifts. Mill operators have insisted that if conditions were more nearly normal, increases in machine hours would be required instead of curtailment. NRA's Research and Planning Division just settled the argument with a formidable barrage of statistics that labor leaders will find it difficult to penetrate.

NRA says that "normal" (1922-29 average) per capita consumption of cotton is 26.83 lb. a year, or with present population 66,286,000 lb. for each of 51 full working weeks per year. Peak demand would be 10% higher, or 72,915,000 lb. With 29.6 spindle-hours required in 1933 to spin one pound of cotton, production would take 1,962,-066,000 spindle-hours in average weeks and 2,158,284,000 spindle-hours in peak weeks. These, distributed among 27,011,200 active spindles would demand 77.4 machine hours of active production in average weeks and 89.8 hours in peak weeks.

The Research and Planning Division concludes that it will require 90 hours per week of productive machine operation "when normal consumption of cotton in the United States is attained." Some observers think that this will settle the matter at least for a time. Others expect labor leaders to counter with a proposal for three 30-hour shifts.

Danger that sooner or later NRA rulings may result in some serious conflicts with the Federal Trade Commission seems permanently averted, if a ruling in connection with the code for the rubber manufacturing industry (#156:BW -Jan6'34) becomes a precedent. Three producers had failed to file their price lists, eventually were charged with violation of the code. Their appeal from the NRA ruling to the Federal Trade Commission collided with a complaint for code violations filed by the NRA with the commission. But there will be no family quarrel between NRA and FTC. The latter announces that it will recognize the complaint of the NRA and that matters raised in the petition of the rub-ber manufacturers "may be raised by way of defence to the proceedings."

The bakers are still in the NRA oven. After New York state bakers dramabecause of NRA delays, and the ap-

proval of their code which followed within one week (BW-Jun9'34), the National Bakers Council, code-making authority for the industry, refused to accept the instrument because of certain modifications by the President. They resented the order for an investigation of the labor provisions of the code within

Code Hearings

Code Hearings

June 25—Wheel and Rim Manufacturing Product Group. Oil Filter Manufacturing Product Group. Powdered Metal Bearing Manufacturing Group. Internal Combustion Engine Manufacturing Product Group. Wholesale Drug Trade. Alloys. Steel Plate Fabricating.

June 26—Robe and Allied Products. Carburetor Manufacturing Product Group. Automobile Gasket Manufacturing Product Group. Trucking.

June 27—Spark Plug Product Group. Automobile Electric Lighting and Reflecting Devices Manufacturing Product Group. Pencil Slat. Tanning Extract. Cereal Preparations.

June 28—Piston Ring Manufacturing Product Group. Shop Equipment Manufacturing Product Group. Manufacturing Industry in Hawaii. Bituminous Road Material Distribution.

June 29—Paper and Pulp. Paper-board. Replacement Valve and Valve

June 29—Paper and Pulp. Paper-board. Replacement Valve and Valve Parts Production Group. Replacement Automobile Water Pump and Parts Product Group. Replacement Piston and Pin Manufacturing Group. Asphalt and Mastic Tile. American Glassware.

90 days and the "staying" of the clause that bars free premiums and that which provides for a time-lag in the openprice plan, concluded that they would have nothing to do with administering the emasculated document.

Meanwhile the Bakery and Confectionery Workers' International Union has telegraphed NRA that it is willing to organize at least 10,000 union bakery owners into a new group to operate un-der the approved NRA code, charging at the same time that the Council, which had sponsored the code, was not representative of the industry. The situation has left NRA in a quandary. It may have to appoint an all-NRA-named code authority. But, in the meantime, the President has reinstated the ban against premiums and that is expected to help pacify the Council.

Retail druggists flocked to Washington recently for the purpose of con-tributing to an X-ray of the amendment to their code (#55:BW-Nov11'34) which prohibits retail prices that are below the manufacturers' prices on dozen lots. At the public hearings indetically voted to return their Blue Eagles pendent druggists, speaking individually as well as through the Drug Institute of

America with its 27,000 members, held that the provision is working fairly, has not resulted in raising consumers' prices to exorbitant levels, insisted that it has brought new hope to the independents in their struggle against chains and de-partment stores. They were supported by the chairman of their code authority who endorsed the formula as an attempt at price stabilization contrasted with the opponents' cry that it results in price fixing. Department store interests call the amendment an indirect means of getting price fixing, and the chain stores dragged out the time-worn argument on service vs. non-service and credit vs. non-credit stores, argued once more that the public should have a chance to get the benefit of more economical methods of distribution, therewith gaining the ardent support of the Consumer's Advisory Board. Even the out-and-out cutrate stores, pine-boarders, were on hand to protest against the amendment on the ground that it cramped their particular style of operations. Independent druggists are overwhelmingly in favor of the amendment, and they hope that their representations plus their numerical strength will help to keep it going, despite well organized opposition.

* * * * *

After a previous order already had given them 30 days' grace (BW-May 26'34), framers of fancy guarantees on tires have won another victory in the recent NRA order which announces an indefinite stay of the prohibition of other than 90-day guarantees against defective material and workmanship. Proponents of sound merchandising practices regret the crumbling of the provisions by which they had hoped to put tire selling on a higher plane and eliminate deceptive guarantees. They point out that motor car makers have sold cars and accessories on no more than 90day guarantees for many years, that tires, the most perishable parts of a car, should not reasonably draw longer guarantees.

A recent NRA Administration order is supposed merely to exempt old-fashioned "barn-raisin's" from inter-ference by a code—the construction code and its supplements.

However the order applies to "any individual, form of organization or enterprise, engaged in agricultural pursuits in his or its own behalf," and covers "any activities in the construction of any project to be used as a direct and integral part of farm operations," and that leaves the gate wide open for the "co-ops." If under this code co-ops may purchase construction material and have improvements, extensions, new units constructed by "regular employ-ees," contractors will lose.

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Silver Water

Pure metallic silver purifies water, it is discovered, and a wide market opens up.

gressional Country Club of Washington, D. C., capacity 150,000 gallons, will be purified by a method wholly new in this country. As the water enters the tank, it will flow past two sterling silver electrodes, using at less than 1.6 volts about enough direct current from a battery to light a 50-watt bulb. The cost of sterilizing the 150,000 gallons will be about \$2 in silver (say 4 oz.) and a few cents' worth of current. The apparatus will be entirely automatic. Some years hence, the electrodes will have to be replaced. That, and keeping the battery charged, is all the attention required. Meanwhile, the water will have no noticeably changed odor, flavor, or color.

Forecasting Applications
Silver producers, chemists and bacteriologists, sanitary engineers, and food manufacturers are keenly interested. The silver producers foresee a big new market, the more highly prized because the silver used will not be recoverable. It is pointed out that if the silver process should replace half the chlorination or violet ray sterilization plants eventually, it would be the largest industrial use of silver ever developed, far exceeding photographic use. Chemists, bacteriologists, and sanitary engineers are investigating the promise of effective, rapid water sterilization, escaping some of the drawbacks of chlorination and the high cost of violet-ray treatment. Food men hope the silver process may solve some of their problems of sterilization without affecting flavor.

Silver producers recently assigned two research men to work with the Bureau of Standards in Washington and endeavor to discover new uses for the metal. As a beginning, the scientists searched the world for the scientific literature on silver. Somewhat to their astonishment, they found the use of silver as a germicide was developing on a commercial scale in Germany. For some unknown reason, none of the German reports had reached this country.

American Vendors

Now, however, there is an American corporation, Catadyn, Inc., with offices in New York, which has bought American rights to the patents and is introducing the process here. Strictly speaking, there are two processes. The electrolytic process is the important one, commercially, but there is a limited application for a simple contact process. Beads of porcelain or pebbles of quartz are coated with silver. Water allowed to percolate through little port-

THE new swimming pool for the Con- able filters made with these beads or pebbles becomes germ-free. But the effect is slow; it is greatly accelerated by electricity. Campers, geologists, surveyors and others working in isolated regions can buy a pocket device consisting of two slim silver rods connected to ordinary flashlight batteries. Immerse the electrodes in a glass of water for 20 seconds, remove them, and within a short time, the water is safe for drinking.

Large installations already made in Germany include the water supply of the city of Heidelberg, a large brewery (which not merely purifies its water, but also uses the process to kill yeasts and stop fermentation at the point desired), a sausage factory, and the new German pocket cruiser, Königsberg.

Who Sells Tires?

Goodyear figures challenge claim that mail order tire sales are squeezing out independent dealers.

FIGURES presented by Goodyear Tire & Rubber Co. in its motion for dismissal of the Federal Trade Commission's complaint for violation of the Clayton Act challenge the FTC theory that independent dealers are being eliminated through mail-order competition.

Counsel for Goodyear quotes from the records of the commission's own attorney to show that, since 1929, Sears' sales of tires have steadily dropped both in absolute volume and in proportion to available volume, while sales through Goodyear dealers have increased.

The skyrocketing increase in Sears' tire volume which carried its sales of casings from nothing flat in 1925 to 4,379,667 in 1929 (9.6% of all replacement sales) is explained by the fact that, in that period, the mail order house opened its 400-odd retail stores, which, because of the remounting and parking facilities provided, plus the price factor, accelerated public interest in its tire offerings. Since then the Sears percentage of total replacement sales has slipped consistently—to 5.5% in 1933.

Oldtimers, familiar with tire distributing methods, point out that the mail-order chain's entry into the field was followed by marked improvement in the merchandising methods employed by other retail tire outlets. This was further stimulated when oil chains began to sell tires. Good independent tire dealers have suffered little, while the public has benefited through lower average prices, and better service.



LARAGE operates somewhat difserently from most air conditioning manufacturers. We offer no so-called "standard" systems—no "blanket" equipment covering all needs. Instead we treat each air conditioning job-small or large-as an individual engineering problem. And in every case, after requirements are established, a Clarage System is built specially to meet those requirements—to meet them

THE PIONEER

For more than two decades Clarage has been a leading producer of air conditioning equipment—a pioneer—an organization of experts. Our installations are many and invariably successful.

We air condition industrial plants, stores, theatres, restaurants, fine homes, etc. We have facilities for handling all types of temperature and humidity control.

If you have an air conditioning or cooling problem, very decidedly will it pay you to consult with us! For immediate action on our part, use coupon below.

CLARAGE FAN COMPANY Kalamazoo, Michigan Without obligation, have a Clarage engineer call to discuss air conditioning.

Company

AIR HANDLING AND CONDITIONING EQUIPMENT



R ate reductions reduce revenues. Expenses are increasing due to NRA, higher taxes, and the cost of government investigations. Continuation of this trend will make it difficult to earn even operating expenses and taxes.

There would have been \$12,496,000 more for investors in 1933 if the Associated Gas & Electric System had received 1928 electric rates, paid taxes at the 1926 rate, and employees had not been insured.

The Associated Gas and Electric Plan of Rearrangement of Debt Capitalization aims to protect investors against adverse developments that cannot be controlled by management.



ASSOCIATED GAS & ELECTRIC SYSTEM

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Where there is **GROUP INSURANCE**

when an employee dies, immediate dollars automatically provide for immediate needs.

> Plans submitted to employers without obligation.



THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD. President HOME OFFICE: NEWARK, N. J.

"...and she shall have music wherever



Through Mallory a motor car becomes a concert hall, a theatre, a night club or a hotel ballroom. The Mallory-Elkon "B" Elimina-tor—with the Mallory-Elkonode changed automobile radio from an experiment to an industry. Mallory developments in many other fields are equally remarkable. Daily Mallory engineers and their products are changing thoughts to things—turning ideas to actualities.



in RADIO, ELECTRICAL, AUTOMOTIVE AND INDUSTRIAL FIELD



P. R. MALLOR INDIANAPOLIS INDIAN?

Wide Reading

"How LONG WILL MY JOB LAST?" Philip K. Wrigley. Factory Management & Maintenance, June. An article explaining, more completely than it has been explained elsewhere, a program designed to meet the workers' most basic ambition—stability in employment.

RECAPTURING THE SMALL HOUSE FIELD. Chesla C. Sherlock. American Architect, May. An entire issue devoted to the problems of the small house, with special designs, and market analysis.

WHAT'S NEW IN GLASS. Canning Age, May. The latest in glass containers, which are increasingly popular since containers have been adapted for later household utility.

ARMOUR. Fortune, June. Story of the company which supplies one-seventh of the meat consumed in this country. Includes review of main and subsidiary businesses, and a discussion of the recapitalization plan which has given the company new bankers, a new finance committee, and a new stockholders' deal.

ARE CAPITAL GAINS AND LOSSES LARGELY FICTITIOUS? George C. Williams. Tax Magazine, May. Very few taxpayers are allowed real capital losses as they do not have offsetting capital gains. There exists no valid reason why capital losses should not be allowed as deductions from other net income. The trouble in this connection recently has resulted from erroneously allowing fictitious capital losses as deductions instead of allowing only real capital losses as offsets against income.

10 POINTS WHERE THE NEW FEDERAL TAX LAW AFFECTS EVERY BUSINESS. J. K. Lasser. System & Business Management, June.

PAST AND PRESENT ECONOMIC THOUGHT. William T. Ham, Publishers' Weekly, June 2. A book list, compiled by the Joint Board of Publishers and Booksellers, which will appeal to some executives for summer reading. Selective list of two dozen books.

RECENT DRUG REGULATIONS IN LATIN AMERICA. Albert Viault. Export Shipper, June 4. New regulations in Colombia, Chile, Dominican Republic, and Mexico.

REPORTS—SURVEYS

PERFORMANCE OF DEPARTMENT STORES: 1933. Edgar H. Gault. University of Michigan, 95 pp., \$1. Net profit of the typical small department store in 1933 was 1.3% of sales. One-fourth of the stores earned a net profit of 4.9% or more; one fourth had a net loss of 1.1% or more. Details of volume, mark-up, total expense, inventory; problems ahead.

WHAT CONSTITUTES DOING BUSINESS BY A CORPORATION IN STATES FOREIGN TO THE STATE OF ITS CREATION. The Corporation Trust Co., New York, 198 pp. The question whether corporations are lawfully subject to statutes in various states requiring the taking out of licenses or permits or are exempt from such restrictions turns on whether the character of the business in the state constitutes interstate business or constitutes the doing of business in such manner as to localize the business and to make it an operation within the state. Digest of recent court decisions.

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New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

FELT bonded metal, announced by H. H. Robertson Co. and the Felters Co., has a layer of felt on one or both sides of a sheet of metal permanently bonded by a patented process with a metal coating fused to both the metal and the felt. The bond will not separate, the metal faced with felt can be shaped and bent. Likely uses are for sound-deadening in air conditioning apparatus and ducts, automobile bodies, various appliances.

FAIRBANKS-MORSE is introducing a new opposed-piston diesel to be shown for the first time at the 1934 Century of Progress. Weight has been brought down to 20 lb. per h.p., construction simplified. Compactness and light weight make it particularly adaptable for railway, marine, and mobile industrial equipment.

FRIGIDAIRE, biggest of the electric refrigerator makers, is out with a new lift-top model of simplified design at \$77.50 for the great mass market (see news items, this issue).

E. N. HURLEY, JR., whose father made famous the Thor washer, sponsors the Thor Electric Household Servant, which is a washer using the same motor to drive a kitchen mixer, even a cocktail shaker, with convenience outlets for iron, toaster, percolator, etc. (see photo, this issue).

BETTER PACKAGES, INC., makes gummed tape dispensers, now sells them as quite proper means of violating a code. It seems there is a stiff federal processing tax on narrow gummed paper tape, as a possible substitute for cotton string. Many industries, however, would not use string (laundries, for example) find gummed tape better fitted to their uses; nevertheless, although they haven't used string in years, they must pay a tax on tape less than 2 inches in width. The "Counterboy" permits purchase, tax-free, of wider widths, which are slit to narrow widths as wanted. All perfectly legal, and approved by the Commissioner of Internal Revenue.

THE new Crawford electric range has the switches on top of the back panel, leaving the front clear. The oven is built like a file drawer, rolls out to eliminate stooping and peering. (See photo.)

GOODYEAR, cooperating with the Akron Park Department, has perfected a plastic rubber tree cavity filler which does not crack like concrete. "You don't have to buy it blind.
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Germany Meets a Crisis

While irate creditors threaten to conscript German balances, Hitler turns to Mussolini for cooperation in improving Berlin's foreign relations.

As BITTER British bondholders glow- Soviets that the Nazis made any move ered over newspaper reports that Germedium- and long-term debts, and suspicious Frenchmen speculated on the move and on political problems raised by the Nazis, a giant German airplane swooped down out of the Italian sky last week and deposited Chancellor Hitler in Venice for his first meeting with Mussolini.

Europe Speculative Europe knows what happened at the meeting, but little that was discussed, nothing that was decided. The world's foremost Fascist dictators saluted each other in the old Roman style; Mussolini held up his end of the conversations in German; police, soldiers, and special guards were almost as numerous in Venice as the permanent residents; Then the conferences last two days. German planes, carrying Hitler and his advisers, soared away toward Munich.

In Paris-where there was feverish interest in the meeting—and in Lon-don—where there was restrained curiosity—the feeling is general that three problems primarily were discussed. Any "settlement" now is considered

only temporary.

First of these no doubt was Austria. Both Germany and Italy have designs on Austria. To each, it would be an opening wedge to more concentrated economic penetration of all Southeastern Europe. To both it would be a welcome territorial acquisition. Best guess in Europe is that both Hitler and Mussolini agreed to a hands-off policy in Vienna for the time being. This was a score for Mussolini, for one of Hitler's dearest dreams-and one which he has dangled before his party followers-was annexation of Austria.

Hitler Takes a Point

Hitler scored in the next round, according to the best guesses, for he is supposed to have won the consent of Mussolini to prepare the way for German re-entry in the League of Nations on "equal footing" with other powers. This is of vital importance to Ber-

lin. No part of Nazi policies has been bungled more badly than foreign relations. German isolation has been a matter for concern among the more substantial elements in Germany for more than a year. But it was not until France rounded out its "iron band" of alliances with nations surrounding the Reich with a near-alliance with the

to counter. Then there was a series many planned to default on all of hurried visits to neighboring capitals-including Paris and Warsaw, culminating in the Hitler-Mussolini meet-

ing in Venice.

Mussolini threatened last winter to leave the League unless its method of doing business was altered. Obviously, he meant that he was no longer willing to have France and Britain "run the show to suit themselves." Germany is now Europe's greatest threat to peace. Mussolini will argue that Germany once more in the League is less of a worry than when outside. France, encouraged by Moscow, may agree.

The French Problem

On a third matter the two dictators probably saw eye-to-eye. France is the great exponent of regional security pacts. Russia works along similar lines with her non-aggression pacts, a dozen of which have been negotiated in the last year. Just before Hitler left for Venice, it is said he was approached by Maxim Litvinov, Soviet Minister of Foreign Affairs, with a cooperative proposition. Official Germany is significantly reported to have refused the plan for this plan, if carried out, would close the door to a revision of her eastern frontiers." Mussolini looks with disfavor on any such pacts, and largely for the same reason.

Less spectacular but of much greater immediate concern to both Europe and the United States was the announcement-long, expected-that Germany would default on her foreign obligations, even the "guaranteed" Dawes and Young loans. Berlin announced it merely as a 6-months' moratorium, but the Paris L'Information declared crisply: "Much can happen in 6 months and what is to be feared is that next December the Reich will not freely resume service on the debts. It is no use pretending that this is a passing weakness. This provisional arrangement is being used only as a preface to something definite or to provoke new conferences in the hope of new concessions. If Germany resumes transfers in December, it will be only after having obtained a considerable reduction in interest and capital of her debt.'

Despite this prediction and the feeling that it was not overstated, German bonds failed to react for long following the announcement. Two reasons were given. In the first place, the

whole move had been expected for so long the final decision had already been discounted. Better, most creditors possessed means of impressing the service charges on these bonds, and announced their intention of utilizing it.

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In England, Germany's move was immediately protested. Then the situation was hastily surveyed. Last year Germany sold almost \$151 millions of goods to the British, bought less than \$76 millions from them. Trade this year is running in similar proportions. Government officials have already announced that they will not allow British bondholders to suffer a complete loss so long as there is this surplus of German funds which they can "conscript" in London before clearing. France is ready to take a similar

stand. Germany's trade balance in France exceeded \$86 millions last year, more than enough to satisfy French creditors. Paris intends to protect them.

Favoritism?

Holland and Switzerland, much larger creditors of Germany than is France, have had for some time special clearing arrangements with Germany. It is reported that both countries have almost completed arrangements to have this agreement extended.

The United States alone among the big creditors of Germany can make no such demands. This country regularly sells Germany much more than she purchases from the Reich. There are no balances in the United States which might be conscripted to satisfy the de-

mands of bondholders.

For the present, the crisis revolves around the bondholders who stand to lose another considerable portion of the amount they loaned to Germany. Before the air clears, the problem will simmer down to what it really is-a matter of making it possible for Germany to sell abroad if she is to meet these obligations. Those countries which can accept German goods will be able to help their bondholders liquidate. Those who cannot will have to choose between protection of their manufacturers, and their creditor class.

Japanese Automobiles

Domestic manufacturer buys large share in GM's Japan assembly plant, stirs rumors that Nippon is going after automobile business in the Orient.

WITH actual production of automotive units less than 1,000 a year, and with a capacity of probably not more than twice that amount, Japan now is making plans to expand her automotive industry.

First significant move came several months ago with the formation of the Automobile Manufacturing Co. which early this spring announced that it would begin production May 1 of automobile parts in a new plant near Yokohama, output at the end of 5 years to be large enough to supply 25,000 cars a year. At that time it was announced that both the Ford and General Motors assembly plants in Japan would buy parts from the new domestic producer.

Japan Buys In Now Tokyo advises that the founder of the Automobile Manufacturing Co. has bought a heavy minority interest in General Motors of Japan, Ltd., a subsidiary of General Motors established at Osaka, Japan, in 1927 for the assembly of cars. This plant, and the Ford assembly at Yokohama, have produced about 80% of the automobiles now in use in Japan. The American Automobile estimated that about 112,000 motor vehicles were registered in the Japanese Empire at the beginning of 1934 (approximately the number registered in Arizona). Only a handful of the cars were imported from Europe.

Military developments in Japan in recent years have revived interest in a domestic automobile industry. For more than 5 years, Japanese companies have been producing vehicles on a small scale, most of them trucks made on a government subsidy basis.

In 1932, the Dat Automobile Manufacturing Co. added to its small truck line a cycle-car which seemed practical for sale in Japan where roads are narrow and the scale of living low.

Last year, production of heavy trucks for military use was increased by several companies. Acquisition of Manchuria, with its vast distances and more suitable terrain for road-building, stimulated the home industry.

No Alarm Here

These recent moves by Japan to control the automobile industry within the country are not viewed with alarm in the United States. Consumption in the Empire is small and, at the present standard of living, is not likely soon to expand. Automotive sales in 1933 throughout the country scarcely exceeded 10,000 units. Also, the Japanese so far have shown small ability at this particular line of mechanics. Only if Japanese control over China increases to the point of forcing up tariffs against American cars will the threat become really serious.

Nippon's rapid conquest of Britain's cotton textile markets around the world, its spectacular rise to second place as a world producer of rayon, the fright of numerous European manufacturers at the sight of Japan-made bicycles laid down at almost any port for less than \$5—all these accomplishments have stirred a genuine fear of Japanese competition. In some lines, this is well founded. In others, a little study of the facts removes the bogey.



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Business Abroad

Hitler-Mussolini conference, German internal friction, French suspicion-all stimulate war fears. German debt moratorium brings threats of active retaliation. Business lags in France; no longer advancing in Britain; advancing slowly in Germany. Canada votes inflation.

Europe

EUROPEAN NEWS BUREAU (Wireless)— The threat of war held first interest throughout Europe this week. The guess everywhere is: Where will it begin? and what will be the lineup?

Willingness of France to ally herself with Russia, despite the probability of Russo-Japanese troubles in the near future, roused Europe to the seriousness of the situation. Germany is the sorest spot in Europe. As though suddenly aware of the seriousness of Germany's isolation, Hitler flew to Mussolini for a conference. Europe immediately visualized an alliance which, in the present upset state of affairs in Central Europe, might easily develop into the old Triple Alliance

splitting Europe through the middle.

Britain is obviously pro-French. Poland is expected to swing back to closer relations with Paris, now that Hitler has made a gesture to cooperate with Italy. None of the Versaillescreated states in Europe can afford to be on the side of Germany, which naturally hopes for a revision of frontiers. Whatever evidences there may have been in the last year of cooling relations between France and her satellites, differences are likely to be patched up in an emergency.

Internal Crisis

Another reason for uneasiness is the evident internal crisis in Germany. Not only is the financial situation acute and the industrial program beginning to show signs of slowing down before Hitler arrives at promised goals, but the moderate and extremist elements in the Nazi party are at odds. It is too early to tell how much of the spectacular news coming out of Germany is inspired to prepare the way for a moderation of policy, and how much is indicative of genuine weakness in the Nazis' hold on the country.

Concrete preparations for war continue in every country. France has voted an increase in military appropriations; Italy is building more warships; Russia has not reduced the number of troops on the Manchukuo border; Japan's military orders still keep domestic factories humming.

Trade wars are not at an end. France and Great Britain have ended their bitterest struggle by making concessions in both directions. France and Germany are beginning negotiations for a new trade treaty. Neither can afford to lose the other as a customer.

Real battle may come between Britain and her Dominions as a result of the differences which have risen between Britain and two good customers—Germany and Japan. In both cases, Britain buys more than she sells. In both cases, Britain wants to use this adverse trade balance to fight her battle. But in both cases the Dominions buy less than they sell to Germany and to Japan. The issue may weaken Empire ties before it is settled.

France

Business recession continues for ninth successive month. Rains break drought menace.

PARIS (Wireless)—Even after allowing for seasonal influences, French economic activity continues to decline. Worried manufacturers gloomily point out that there has been no break in the trend since it began early last autumn. Production indices reveal the facts:

	Sept. 2	June 2
General index	1933 110	1934 . 103
Textiles	79	69
Building	90	87

Due to the new Franco-British trade

accord, however, textile manufacturers are heartened, for, without knowing definitely the terms of the agreement, they do know that French textiles will be accorded substantial export facilities in the United Kingdom.

Despite the recent continued rise of rentes and the willingness of the public to lend to the government, recent numerous sporadic political outbursts such as the Toulouse riot this week give evidence that the political strain is still great and is gaining momentum.

So far, government efforts to bring down the costs have been ineffective, barring only the forced suspension of the application of the new law allowing another 15% increase in house rents which was to be applied July 1 but now is postponed until July, 1935.

The retail price index at the end of

The retail price index at the end of May stood at 478 against 481 in September of last year, while the number of registered unemployed totals 323,427, against 226,634 on the same dates.

Young Bonds Up
Despite the German decision to apply a moratorium, Young bonds rose more than 10% in Paris due to the expected decision of the British and French governments to assure interest payments out of German imports. Meanwhile, new Franco-German trade negotiations are on foot in Berlin and it is the impression here that France will be able now to obtain substantial concessions while at the same time providing protection for exporters against losses from exchange manipulations and fluctuations.

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The price of farm products has risen slightly due to the drought in France, with speculators taking a short position particularly on the incoming oat crop. Rains this week have somewhat improved the outlook for crops.



Vickers-Armstrong's, Ltd.

BRITISH REPAIR FEAT—Overhauling of two pairs of giant dock gates (360 tons a pair) at Middlebrough required hoisting them out of position and floating them up a slipway. Constructed in 1904, the gates had been in constant use ever since. The repair job was done by Vickers-Armstrongs.



NEW LEAGUE HOME-When finished this Geneva (Switzerland) development will house the League of Nations. Buildings cover 18,000 sq.yd.

Germany

Business lags due to political and currency uncertainties. Fear of Ersatz and Hamsterer causes buying rush in cities.

BERLIN (Wireless)-Things are moving rapidly in Germany. Chancellor Hitler has conferred with Premier Mussolini at Venice (page 26). Protests, even threats, have come from every major creditor following the announcement of the moratorium on Germany's debts. Friction in the Nazi ranks came before the public during the week with the protest of von Papen. Instead of a serious rupture, Germans believe the open controversy marks the beginning of a change of policy on the part of the Nazis. Hitler has had trouble with the extreme wings of his party for some time. This move seems to indicate that moderates are winning.

Recovery Is Slower

Business generally is disturbed, despite several encouraging developments. While most industries reflected production gains in both April and May, the number of unemployed who were absorbed in May totaled only 80,000, in comparison with 190,000 in April. While the transfer moratorium will allow Germany to accumulate foreign exchange, the threat of mark devaluation is only temporarily removed. There is still little hope that Berlin will be able to avoid the move eventually. it can be deferred until fall.

Though the number of unemployed at the end of May was scarcely half the total at that time in 1933, the government, in order to carry out its promise to reduce this number below the 2 million mark before Aug. 1, is being forced to plan an extension of the relief works already under way, and is bringing pressure to bear on farmers to engage urban unemployed for the crop season.

Commodity prices which have been sagging ever since January have resumed their upward movement. The general wholesale price index, which declined from 96.3 in January to 95.8 in April, showed a slight increase in May, when it advanced to 96.2.

This small recovery does not, how-ever, adequately reflect the actual price trend. But for stringent government regulations with a view to preventing any inflation of the present price level, the price advances of the past month would have been much more pronounced in response to a gloomy crop outlook and the price-raising effect of restrictions on raw materials imports.

Emergency Rations Spurred by drastic raw materials import restrictions, German industry is feverishly scrutinizing all possibilities of saving and substitution, with a view to mitigating the evil effects of these measures on her domestic and foreign sales. The self-imposed blockade, necessitated by the critical foreign exchange situation but unnecessarily carried to extremes of military self-reliance by Nazi enthusiasts, presents many striking analogies with war-time industrial control when all efforts of Germany's best technicians and industrialists were di-rected toward the creation of "Ersatzstoffe" or substitutes for the failing supplies of raw materials cut off by the Allied blockade.
The Rubber Control Board recently

issued regulations restricting to 200 grams the quantity of rubber that manufacturers are allowed to use for each bicycle tire. Though technically this may not affect the quality of the tires, manufacturers apprehend that this limitation might prejudice their export sales. Their foreign competitors have been offered a most welcome sales argument against the use of German tires.

The Copper Control Board also has issued an order along this line. Henceforth the use of copper for open-air

power transmission lines is prohibited and in its place it is suggested that aluminum be used. While, allegedly, this does not present any technical difficulties and has no direct relation to Germany's export problem, it will unavoidably increase immediate costs of power distribution in Germany.

Further to emphasize the current condition in Germany, some attention must be paid to recent "panic buying." Along with "Ersatz"—the wartime term for all kinds of interior substitutes—"Ham-sterer" was a word well known in economic Germany during the war. means panic buying of rationed goods, and is heard frequently again in Berlin. Shops selling men's and women's clothing and other textile goods have been crowded lately by "unpatriotic" Germans who apprehend if not an actual shortage, at least a substantial deterioration in quality, in the necessities of life.

Nazi authorities view this panic buying with mixed feelings. While, on the one hand, it has an immediate job-creating effect, it implies an early and severe setback as soon as people will have covered their requirements in underwear, suits, and overcoats for one or

two years ahead.

Great Britain

London uncertain over attitude to take in German default. New complications in trade war with Tokyo. Britain is pro-French in controversy on the Continent. New credits for industry.

LONDON (Cable)-When the government made its prompt and firm reply to Berlin that a complete debt moratorium would be met in Britain with a conscription of German balances through a clearing house, financial London's first reaction was one of pleasure. When someone called to light the fact that Germany's favorable trade balance with the United Kingdom amounted to 38 million marks, but that the balance with the Empire as a whole was 77 million marks against Germany, fears of a trade war developed.

In the two years since the Ottawa conference, where members of the Empire pledged themselves to buy first from each other, then from the outside world, Britain has learned that the plan has its bad as well as its good points. Most striking evidence of the problems it can create came a few months ago when the United Kingdom decided to combat Japanese textile competition with a system of quotas. The colonies were forced to take similar moves, but the Dominions, naturally, were left to act for themselves. And they very definitely are in no mood to strike at Japan which has come to be one of their major markets. India came to terms with Tokyo, and temporarily has no problem. Canada and Australia want to do business with the Japanese. In fact, Australia felt that Britain's stern action was sufficient cause for a special and



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State

much-heralded visit to Japan of a special Australian trade delegation which made promises of opening up the Australian market to certain Japanese products. It was a gesture provoked by the threat from Tokyo to shift wool purchases elsewhere. In recent years, Japan has taken as much of Australia's wool clip as Britain.

Boomerang

A similar complication now presents itself in connection with retaliation plans against Germany. If Britain makes any move against Germany, it will react unfavorably on the Dominions, and in turn, on their purchases in Britain. Equally if not more important, it will force further action by them in a course away from that of London, and emphasize growing economic differences.

Faced with these complications, London is soberly hoping that Germany will come to terms without forcing the issue.

The end of the trade war with France is welcomed. In the new agreement, just signed, British cotton, coal, and engineering industries will benefit most, and French silk manufacturers win the largest return concessions. The silk concession is made by setting up import quotas, and definitely works against Japanese imports. Owing to the existing Anglo-Japanese trade treaty now in existence, discriminatory action against Japan by tariffs is not possible, and in any case a tariff against Japan would have to be at least 250% ad valorem to be effective.

Britain is suspending judgment regarding the Hitler-Mussolini meeting pending announcement of France's attitude. It is generally believed in London that Hitler's internal crisis plus the very realistic influence of Mussolini is likely to modify both German internal and external policy to a more conciliatory tone. Britain is ready to support the expected German-Italian policy at both the disarmament and League meetings (page 26). There is still considerable fear for Austrian sovereignty, and more than a trace of worry that the recent meeting in Venice will revive Franco-Polish relations and possibly create new tensions. The general trend in Britain is pro-French.

Credit for Industry

The institution of Credit for Industry, Ltd., by the United Dominions Trust (a grandchild of the Bank of England) has been followed recently by the an-nouncement that the Charter House Investment Trust (a normal public company) is to register a new company to supply capital to new industries in sums of from £5,000 upward. The difference between the two will be that, where Credit for Industry takes only a mortgage interest from money advanced, the new company will actively participate in profits either by holding shares in the small business it helps or by taking the projects to public issue for payment partly in cash and partly in shares. The response to Credit for Industry has been large, though a fair proportion of applicants have had nothing tangible to offer as security. Such cases may find help from the new company.

Among the influences affecting the



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COMMERCE CHIEF—Dr. Claudius
T. Murchison starts to work as the
new head of the Bureau of Foreign
and Domestic Commerce.

industrial section of the stock market, there is beginning to show a growing apprehension of a Labor government coming to power in 1936. Recent byelections have encouraged this belief. The feeling of many big investment trusts and merchant bankers is that the present National government is losing ground and will continue to lose ground unless and until it produces a daring long-term policy which will rally the mass of the voters. The feeling, nat-ural enough, is that while a swing to Labor is possible, it is dangerous to put money into industries which may be nationalized, suppressed, or crippled within three years. Business Week's correspondent understands on good authority that several prominent men in financial London have been in conference with high Parliamentary authorities and that a new "planning policy for the National government" will probably be framed and announced shortly.

Far East

Chinese construction continues. Japanese foreign trade rises steadily. Diversification encouraged among Manchukuo farmers.

Conditions in the Far East have not changed much during the week. There is still tension between Russia and Japan; the political situation in Tokyo has not improved; low cocoon prices and the unfavorable outlook for silk has brought another protest from Japanese

City.

highway construction on a large scale.

Major interest in Japan centers in the pending trade negotiations with the Dutch at Batavia, but no information has yet been released. Confronted with the higher tariff barriers which Britain and the colonies have imposed on Japanese goods, Japan is attempting to retaliate by driving new trade agreements with the Dominions, with most of which she has an unfavorable balance. Most progress has been made with Australia. Both exports and imports continue to expand.

Business in Manchuria is expanding under the stimulus of Japanese military construction and the encouraging of more diversified farming. Farmers are being encouraged in their diversification program by gifts of cotton seed which, it is hoped, will be planted in place of

soya beans in large areas.

Latin America

Revolution in Cuba again unsettles business. Collections in Colombia improve.

RECENT political developments in Cuba have again unsettled business. The outlook is increasingly less hopeful. Revolutionary activities are likely to continue until a government representa-tive of more of the people than the present government is installed.

Contributing to the uncertainty, at least as far as Americans are concerned, was the recommendation this week of the special committee representing the Cuban government that two loans from American banks, totaling \$60 millions, which were contracted by the Machado government be declared illegal. Both loans carried 51% interest and had been contracted by the previous government presumably for public works.

Central America is recovering from the effects of last week's hurricane. Collections in Colombia are improving following the settlement of the Leticia affair and the easing of military purchases by the government. miners have been engaged by Bolivian miners to take the place of men who have enlisted and gone to the Chaco front. The better demand on world markets for copper and tin has stimulated activity in Bolivian mining areas.

Canada

Ottawa votes inflation; new money will finance public works. mass buying evil adjusted. Patent medicine advertising ambitions may be curbed.

OTTAWA-Canada has voted to inflate her currency. Legislation was passed this week increasing the Dominion note issue from \$50 millions to \$120 millions. Gold cover, now at 40%, is reduced to 31%. New legal minimum required by international agreement is 25%. About

farmers; China is going ahead with \$40 millions of the new money will be used to finance a public works program.

The first concrete result of the disclosures of business practices of big companies before the Stevens Committee on mass buying and price spreads is relief for Ontario tobacco growers. They are to have a fixed average price of 27¢ for the next three years, with a top price of about 35¢. This results from voluntary negotiations between representatives of the growers and large tobacco manufacturers. An agreement among the manufacturers for better treatment to the growers was proposed in the Stevens Committee at the time of the disclosures and has already been acted

Income Tax Amended

Another result of the Stevens investigation is an announcement that the Income Tax Act is to be amended to recover taxes on the distributed earnings of one of the tobacco companies. It was revealed at the investigation that the president and principal owner of one of the companies had been paying himself \$5,000 a week out of undistributed earnings without making any income tax return.

The Hon. H. H. Stevens in public addresses is urging the Canadian public themselves to remedy conditions dis-closed by his inquiry. He suggests that citizens have it in their own hands to prevent large business concerns' piling up huge profits while cutting employees' wages and dealing unfairly with pro-These conditions could be remedied by refusal of citizens to patronize merchants or manufacturers responsible for sweatshop conditions.

It is possible, however, that the government itself will find a more certain remedy for some of the conditions re-

vealed at the inquiry.

Wheat Is Excluded The Senate has amended the Natural Products Marketing Act by excluding wheat from its provisions. Western senators objected to arbitrary control Western over the marketing of the principal product of the West. The government, when the bill returns to the House, may insist on the rejection of the amendment, but it is not certain that it will do so as the original intention was not to include wheat among the products covered by the Act.

Further restriction on the practices of patent medicine manufacturers is imposed in legislation now before Parliament. Of late, the patent medicine business has been returning to some of its old proportions and practices. Recently newspaper publishers suggested an agreement among themselves to censor The bill patent medicine advertising. now before Parliament prohibits the use of labels describing these prepara-tions as "cures," "remedies," etc.

Canada's foreign trade jumped 41% in May compared to the same month last year, imports and exports amounting to \$110 millions as against \$78 millions. The increase for two months of the current fiscal year has amounted to 48%.

Sales of Canadian hardware to Great Britain increased by 100% in the first Anyway you look at it, it's a Beauty!



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Money and the Markets

Treasury dips into the "free" gold, banks' excess reserves go up, government's interest rates down. Stockholders' suits meet setback in National City case. Bond market encourages municipal financing. Stocks lose some of their gains. Hogs lead in commodity rise.

Money and Banking

THE Treasury is again dipping into its supply of "free" gold by the transfer of sizable blocks of gold certificates to the Federal Reserve banks. Deposits of certificates equaled \$81 millions in the week ended June 13 and a total of \$204 millions in the past month. Some bankers are of the opinion that the Treasury is building up these deposits for the purpose of reducing its floating debt, paying its expenditures from the accounts rather than replacing maturing issues. Others feel that the plan is to enlarge member bank excess reserves, to lower interest rates, pave the way for further refunding, force money into in-

Can Show Results

Both effects are noticeable. On June 20 the Treasury had a maturity of \$100 millions of bills but issued only \$75 millions. Member bank excess reserves are estimated to have gone to or above the former record high of \$1.7 billion and interest rates on government obligations have fallen. The new issue of bills was disposed of on a discount basis equivalent to an annual interest rate of 0.07%. the lowest basis at which Treasury bills

have sold. Government bonds have also advanced into new high territory, suggesting that the next piece of long-term

of less than 3%.
Stockholders' suits, already pending or threatened against dozens if not hundreds of banks, their officers and directors (BIF-Mar10'34), received a setback this week through a decision handed down by Supreme Court Justice Dore in the National City Bank case. Justice Dore held that directors of a bank cannot be held responsible for losses suffered in or caused by a depression, that the \$71 millions charged by stockholders to negligence or malfeasance of management need not be refunded. One important point is yet to be decided. The Justice referred to a referee the final decision on the claimed excessive disbursements from the management fund. He conceded that the directors had the right to fix salaries and other forms of compensation but held that the \$19 millions paid from this fund to executives over a period of years was so large

The offer of the group of New York Clearing House banks to make good on their alleged pledge to support the Harri-

that it warranted a full investigation.

man National Bank & Trust Co. has been accepted by the Comptroller of the Currency. Nine of the 20 banks then in the association had agreed (BIV—Jun16'34) to pay their share of the difference between the assets and liabilities at the time of closing. The government had claimed in its suit that the clearing-house banks were liable for the larger deficiency existing at present. If 90% of the depositors also accept this com-promise agreement, these nine banks will thereupon be freed from further

Financial Bills That Lost

The adjournment of Congress found a federal financing may carry a coupon number of bills important to the banking community shut out of a vote. Prominent among them were the two inflationary measures, the McLeod bill, that would pay off the depositors of closed banks, and the Frazier-Lemke bill, that would have the federal government acquire farm mortgages in exchange for greenbacks. The omnibus banking bill containing a large number of relatively minor amendments to the Banking Act also died. Congressional leaders expressed the opinion that these bills will be brought up again in the next session.

Bonds

THE bond market hesitated this week after coming close to the highs of last April, but such softness as appeared was located mostly in the second-grade and speculative issues. Investment bonds remained firm but quiet. The prospect would seem to point to a renewal of the price advance of higher-grade issues, but states and cities are hurrying to take advantage of the present market.

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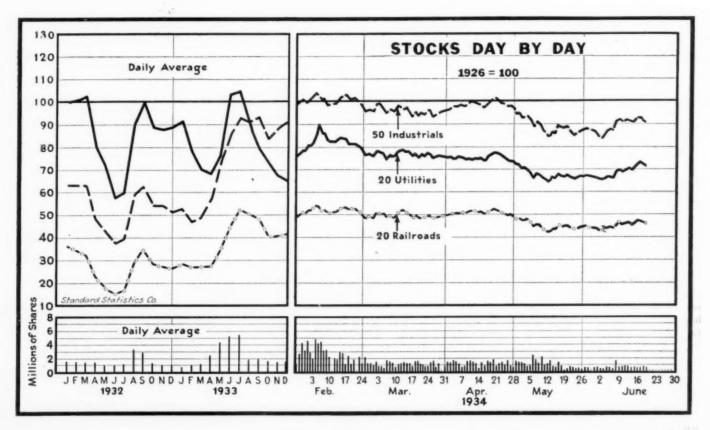
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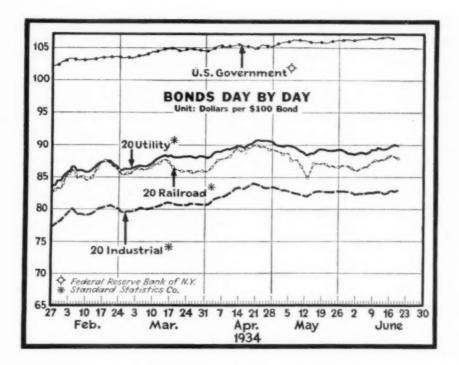
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New York City has watched the quotations for its obligations rise materially in recent weeks and is planning a \$60-million bond sale on June 10. Of this amount, \$12 millions will probably be in the form of serial bonds running from 1 to 36 years, and \$48 millions will have a 48-year maturity. Almost the entire sum will be needed to fund the \$58.5 millions of corporate stock notes which have been renewed from time to time in the past 2 years or more, and which now bear 51% interest. The Comptroller is thinking of fixing a 4% interest rate for the new bonds and hopes to receive a premium above par. New York State has asked for bids on an issue of \$30 millions emergency relief bonds and expects to obtain the funds for less than the $2\frac{7}{8}\%$ basis that was bid for its offering of a few months ago.

Land Bank Offering

The public offering of \$131.4 millions of Federal Land Bank 4s made this week attracted a flood of cash subscriptions. Priced at $100\frac{3}{4}$ to yield 3.90% these bonds will provide funds to retire a like amount of 43s with an interest saving of close to \$1 million a year. As most of the bonds will be exchanged, those sold for cash will probably total less than \$50 millions, but subscriptions of over \$400 millions were received.

Stocks

STOCKS this week were reactionary, losing most of the gains of the week preceding. Industrial shares are now resting at about the level of the first half of January but both utilities and rails are still able to show a net advance for the year to date. In the current drop, rails have suffered less than other groups despite the passage by Congress of the Railroad Retirement Bill.

Railroad Coordinator Eastman mentioned in a speech, scarcely a month ago, that he was going deeply into the subjects of retirement annuities for superannuated employees, unemployment benefits, dismissal wages, etc. He hoped to be able to work out a program which would afford reasonable protection to labor without stifling rail recovery prog-ress. These studies have not yet been completed. They are expected to result in a sounder, more inclusive system than the present temporary plan.

As passed, the Act now provides for the retirement of any employee attaining the age of 65 or who has completed 30 years' service, upon a pension based on his period of service. Both employees and carriers are to contribute toward a railroad retirement fund to be administered by a retirement board.

Pension Cost to Railroads

The Act calls for a contribution by the employee that will be initially 2% of such part of his monthly wage or salary as is below \$300. The railroads will be called upon to make payments of double that amount, or initially 4%. Statisticians, endeavoring to estimate just how much the carriers will have to turn over to the fund under this Act, have arrived at an approximate figure of \$50 millions a year. But all that amount will not be an additional outlay. Many of the roads already have pension systems of their own that have required substantial contributions each year. The Act provides for the taking over of such systems by the board with appropriate adjustments in benefits. The increased cost to all Class I roads will probably be considerably less than \$25 millions a year and much of this may be recovered through the forced retirement of employees no longer efficient. Certain officials feel that the granting of these pensions should result also in a relaxation of labor rules that now prevent economic operation. Wages under the basic day tend to become fantastic with the high speeds that are coming into vogue.

Commodities

A SPECTACULAR gain in hog prices fea-tured wholesale markets. Heavy hogs jumped to \$5.15, fully \$1 more than last week and the highest price since October. Steers and cows also advanced, but much more moderately. Grain prices were firm. Cash wheat remains around 97¢; cash corn at 60¢ is slightly higher; July cotton has hit 12.17¢, the highest for this delivery since April, but receded on Wednesday to 12.04¢. Hides at around 10é and rubber at around 13.70¢ are slightly higher.

The metal market has been quiet. Copper is holding at 9¢ with few sales, A director of the copper code has been appointed to clarify its complexities. May deliveries of copper are reported at 40,000 tons against production of about 30,000 tons. Lead remains at 4¢, zinc at 4.25¢, and tin is unchanged with the speculative element in control of the

The Silver Act

The Silver Purchase Act, which makes it the declared policy of the United States to acquire 25% of its monetary stock in silver, has been signed by the President. Government price for domestic purchases is not to exceed 50¢ an ounce, but sellers will disgorge a 50% profit tax. The Commodity Exchange issued a denial of the report that trading in silver futures would be abandoned, as a result of the Silver Act. But the new measure is certain to dampen speculative activity, though the future markets will continue to render service in hedging and straddling transactions

Wholesale prices, at 74.6, are now at the highest level in over 3 years. This week's sharp advance of 1.2 points is largely the result of higher prices for farm products and foods, each advancing 3 points. The official index number of wholesale prices for the first week in June was equivalent to 108% of the 1910-14 average, compared to 93% a vear earlier.

Foreign prices have enjoyed no such Prices of 10 selected import advance. commodities declined to an index of 160 on June 4, from the recent high of 165 on May 7, whereas prices of 10 selected export commodities at the same time increased from 150 to 154. World wheat prices have increased considerably during the past few weeks while the index of 16 other international commodities has fluctuated within a narrow range.

Wholesale prices in the currencies of 8 foreign countries which take about 75% of our agricultural exports declined slightly from February to April. During May, prices were lower in Canada, England, Germany, France and Italy. Farm Land Coming Back

During the year ended Mar. 1, farm real estate values, as reported by the Department of Agriculture, showed a moderate increase for the first time since 1920. The index of average value per acre in the United States, at 76, was 3 points higher than a year ago, when the lowest level of land value since 1912 was recorded. Even now, land values are 24% below the 1914 level, and that

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- -its methods
- -their features
- -the results

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Shall more dependence be placed on impersonal tests?

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Here is a book that digs into the whole question of copy testing, and in the form of a round-table discussion presents the views of widely-known advertising men. The book presents no favorite system of testing. Instead, all systems are examined and appraised for strength or weakness—for their limitations, for their variations, and for new possibilities of development.

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The book brings together for the first time The book brings together for the first time all pertinent available material on methods of testing advertisements. It examines this material critically—it attempts to fix the distinctions and limitations of each kind of test, as well as to add some refinements and originations that seem to be without precedent. Much of it is cast in readable dialogue form. logue form

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at 76 contrasts with 170 in 1920, 127 in 1925, and 115 in 1930.

The changed trend in farm real estate values is attributed to the turn in farm income, particularly in the cotton, grain, and tobacco areas; to renewed flow of credit facilities, tending to remove pressure for forced liquidation, and to lower taxes on farm real estate in some areas. On this latter point, the Department of Agriculture last February showed that, in 1932, the real estate tax per acre in the United States was 46¢ as against 53¢ in 1931 and the high of 58¢ in 1929, but contrasting with 24¢ in 1914. A preliminary report for 16 states showed a further decrease of 13% from the 1932 average in 1933. At the present showing it looks as though gross farm income for 1934 will be about \$7.5 billions against \$6.4 billions last year.

Morgan's Bank

America's foremost private banking house includes a statement in its farewell to underwriting.

The colorful House of Morgan has now become J. P. Morgan & Co., private bankers, licensed under Article IV of the Banking Law of the State of New York. Shortly after the death of his father, the present J. P. Morgan laid a suggestion before his partners. "Let us," he said in effect, "hereafter conduct a bond and security business upon a strict commission basis." But there have been many changes in conditions during the intervening 20 years and the firm has never allowed this dictum to interfere with its ability to adjust itself to these changes.

During the war Morgan & Co. was appointed purchasing agent of the Allies in addition to handling their American financing. The firm became the largest buyer of munitions and supplies that the

world has ever seen, successfully handling billions of dollars of materials of all kinds for a reputed commission of 1%. Despite post-war competition, Morgan's was recognized as the most important underwriting house during the boom decade and a participation in its offerings was sought by all retailers of secu-To a considerable extent the rities. financing of these deals was made possible through the use of money deposited with it by its customers and others. But the Banking Act forced all private bankers to choose between the deposit and security ends of the business before June 16 of this year, and J. P. Morgan chose the deposit end.

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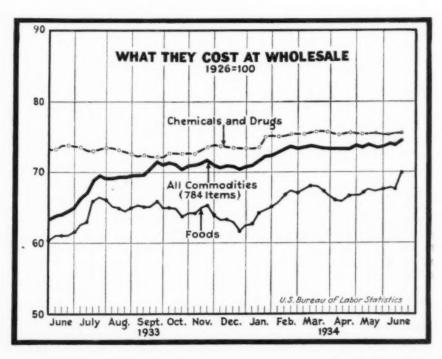
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Having made this choice, the partners still had one more decision to make. They could submit to examination either by the Federal Reserve Bank or the State Banking Department. The selection of the state authorities-of New York for the New York house and of Pennsylvania for Drexel & Co., Philadelphia branch of the firm-has resulted in the recently published statement of condition, first to be voluntarily given out in the history of the organization. The only other statements of J. P. Morgan & Co. which the public has ever seen are those introduced into the record of the Senate investigation in May, 1933, the latest of which was dated Mar. 31, 1933.

Going Up

This year's statement shows a permanent capital of \$25 millions and surplus and partners' balances of \$32.6 millions, a total net worth of \$57.6 millions as compared with \$44.8 millions last March. A substantial part of this gain may be attributed to an appreciation in the value of securities held. By far the largest amount of the investment account is now carried in U. S. government securities, with a face value of \$169 millions. Deposits are \$33 millions higher, standing at \$271.8 millions in June.



Editorially Speaking—

fering a water shortage which, in some regions, is said to be the worst in a century. Dried up pastures, dying livestock, seared crops appear everywhere, while some cities are fearful of their water supply. King George has ordered that watering of the royal gardens at Windsor be discontinued. In France water shortage has resulted in widespread forest fires, crops are beginning to suffer, and serious damage is predicted if rain doesn't come soon. Drought in Russia has caused a sudden spiritual twist that upsets some Communist leaders. Russian peasants, who were prevailed upon to denounce religion, are now reported turning to prayer in some sections in hopes for rain. Other religious practices, such as sacrifices and sprinkling one another with water, have reappeared.

BEER taverns and gardens are expected to take a large percentage of the electric fans sold this summer. Since most of the parlors opened after the 1933 summer season, few are said to be equipped with fans, practically none with air conditioning. An electrical supply firm estimates that in the city of Indianapolis 500 beer parlors have opened up within the past year, many the past six months.

A WALL STREET brokerage house sold 16/983383 of a share of Standard Oil of Kansas stock (a 10-year old possession) the other day for the princely sum of \$10. Somebody with plenty of pencils and time figures a full share at that rate would come to \$614,614. Lots of people will now be trying to sell their shares in pieces of 16/983383.

MANY pet schemes are being bandied around in Washington by people who would like to dip their fingers into Uncle Sam's treasure vaults. Here are a few mining and engineering propositions for federal financing that have been ventured by hopeful sponsors: Extraction of gold and silver from the Colorado River at Boulder Dam, no doubt based on the idea that the stream, flowing through one of the richest rare metal areas of the country, has collected in its silt residues of the metal; establishment of a domestic tin industry and its protection behind a tariff wall; unwatering of mines in the Tri-State area, Arkansas, Illinois, and Missouri, to provide employment and open new sources of supply for lead and zinc; erection of small smelters in strategic points in every mining state, this on the theory that there is considerable ore in the country from which metal could be recovered if it were not uneconomical to transport it to existing private smelt- in the other story.

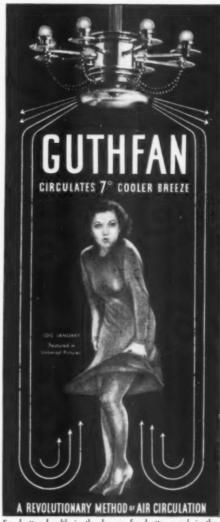
DROUGHT has been hounding other countries this year too. England is suffering a water shortage which, in some regions, is said to be the worst in a century. Dried up pastures, dying livestock, seared crops appear everywhere while by PWA.

ADD June graduates: International Business Machines soon will augment its field sales force, already the largest in the company's history, by a new class of graduates from its sales school at Endicott, N. Y. The company's domestic sales so far this year are reported the best ever made. Sales throughout the world are the best since the record year of 1930.

THE nation's gross public debt, as revealed by the Treasury, reached a new high record this week—\$27,005,438,-125. That overshadows the previous high of \$26,596,701,648, recorded Aug. 31, 1919. The net debt is still lower though, for the Treasury cash balance stands above \$2\frac{3}{4}\$ billions as against only \$1,118,109,534 on the 1919 date.

SHIP passengers may now send Sea Letter Telegrams to persons anywhere in the United States, announces Radiomarine Corporation of America, RCA subsidiary. The new service is designed for messages which do not require fast telegraphic delivery ashore. The RCA coastal station to which the Sea Letter Telegram (25 words minimum) is wired will forward it to the addressee by first class mail or airmail, at the option of sender. The service is available on both foreign and American ships. Base rate is \$2.50 for 25 words, and 10¢ for each additional word.

AERODYNAMICS experts, who should know their streamlining, felt our Editorially Speaking piece on the subject (BW-Jun2'34) wasn't quite fair to streamlining. Taking the Burlington Zephyr as an example, the most conservative of three engineers estimates its wind resistance (when making 100 m.p.h.) at 20% below that of a standard unstreamlined train. Since the rolling and air resistance of the Zephyr are roughly equal, the reduction of 20% in air resistance would be equivalent to a reduction of 10% in total resistance. That in turn, it is calculated, would produce a difference of about 5% in speed. Allowing for the decrease of average speed due to the inclusion of the accelerating period within the period of the test, the streamlined train, on the basis of these calculations, would be about 4.5 miles ahead of the standard train, as against 6,000 feet as concluded



For better health in the home; for better work in the office; and for better patronage in restaurants, theatres, hotels and stores—investigate the sensational new Guthfan—the first radical improvement in electric fans for 35 years.

The Guthfan draws 7° cooler air upward from the floor level. Revolving blades then force the air outward toward the walls on a downward angle. The Guthfan produces a complete and gentle distribution of refreshing, revitalized air throughout the entire room—without departs of death or direct blast appropriate.

without danger of drafts or direct blast annoyances.

The Guthfan circulates more and cooler air over a wider area than three ordinary 16-in. electric fans—at half their cost to operate. Furnished with or without lighting fixtures. Easy to install, it is used in government buildings throughout the country. Some of the outstanding organizations that have recently installed Guthfans are: S. H. Kress Co., Montgomery-Ward, American Railway Express, Army & Navy Y. M. C. A. Panama Canal Zone, F. W. Woolworth.



BUSINESS WEEK

The Journal of Business News and Interpretation

JUNE 23, 1934

"In Kind"

Secretary Hull's pointed hint to the British government that war debtor nations might well consider the possibilities of paying in kind, since they protested so vigorously that they could not pay in money without disrupting the exchanges and producing other dire effects, must have been intended seriously, after all, for the Administration is following the idea through. On another page we publish the news that government experts are making elaborate factual studies of what commodities we might accept as war debt payment, and how much of each.

It is a plan shot through with a preposterous fallacy. There are so many objections to it that it never will progress beyond the discussion stage. The discussion will merely prove again that there is no way to dodge the brutal fact that we cannot be paid unless we will cease exporting goods, or else relend the money we are paid. And, of course, the latter alternative isn't really "payment" at all.

To make perfectly clear how payment in kind would work, let us follow such a transaction through its course. We must begin by recognizing the fact that Great Britain buys more from us than we do from her. That means that every dollar we pay her for rubber she needs to pay us for cotton. Now it is proposed that we accept \$180 millions worth of rubber as payment on war debt. The British government would take pounds sterling from its treasury and buy the rubber from British producers. The rubber would be shipped to the United States. Our government would sell it to tire manufacturers for dollars. The dollars, deposited in our treasury, would reduce the amount the British government owes us.

But the British rubber man would be paid in pounds. He would get no dollars at all. He cannot buy cotton with pounds. Pounds sterling are no good in Texas. They must be exchanged for dollars, which is the simple origin of the exchange market.

Had the rubber been purchased by American manufacturers in the ordinary channels of trade, the exchange would have been created. The British exporter of rubber would have acquired \$180 millions in dollar credits in New York. In actual practice, instead of buying cotton himself, he undoubtedly would have sold his dollar credits to a Manchester spinner. That does not affect the principle.

The bare, unconquerably stubborn fact that cannot be dodged is that unless exchange is created, international trade must stop. There is a theoretical alternative—the shipment of gold. But as the world stands today, it is only theoretical.

Debt payment in kind, then, comes down to the simple essential that we shall be obliged to reduce our exports by something closely approximating the exact value of the imports we accept on war debt account. How well that will sit with the farm states, anyone can guess for himself.

Almost anyone should be able also to forecast with how much eagerness the European will vote to tax himself to buy rubber from himself. Or how eagerly American importers and European exporters will welcome the chance to get out of business, and let two governments take it over.

But the proposal does one thing, at least. It disposes of the popular supposition that the policies of this Administration are formed after consultation with a "Brain Trust," largely composed of theoretical economists.

The Brain Trust must be through.

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